



## Report to the GAVI Alliance Board

11-12 June 2013

<b>Subject:</b>	<b>Mid-term review and fundraising update</b>
<b>Report of:</b>	Marie-Ange Saraka-Yao, Director, Resource Mobilisation
<b>Authored by:</b>	Marie-Ange Saraka-Yao
<b>Agenda item:</b>	13
<b>Category:</b>	For Information
<b>Strategic goal:</b>	SG3 - Financing: global predictability/nat'l sustainability

### Section A Overview

#### **1 Purpose of the report**

- 1.1 This report presents an update on the status of GAVI's fundraising efforts to close the current cycle and transition to the next one, and sets out preparations for the Mid-Term Review (MTR), which will take place in October 2013.

#### **2 Recommendations**

- 2.1 This report is for information only.

#### **3 Executive summary**

- 3.1 Two years after the 2011 Pledging Conference, strong country demand and implementation have boosted programme expenditure, which is now foreseen to reach US\$ 7.8<sup>1</sup> billion for the period 2011-2015. In spite of a challenging fiscal climate in many donor markets and thanks to the powerful collaborative resource mobilisation efforts from donors, countries and vaccine manufacturers, investments in health and immunisation continue to be a priority among many donors – including new donors.
- 3.2 Of the US\$ 7.4 billion resources assured for 2011-2015, US\$ 6.6 billion has been secured through signed legal agreements, the majority (78%) of which are multi-year. In the past two years, the payment of pledges has enabled GAVI to cover 100% of planned expenditures. Such payment has been accompanied by steady co-financing commitments from 63 countries, which account for 8% of the vaccine support to those countries. Similarly, active market shaping efforts are bearing fruit with a substantial 31% reduction in the average price to fully immunise a child with

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<sup>1</sup> This estimate includes forecasted expenditures for currently approved GAVI interventions and does not cover any potential future IPV and VIS expenditures. See Doc 05 on Financial forecast .

pentavalent, pneumococcal and rotavirus vaccines, together with an increase in the number of vaccine suppliers creating healthy competition across various vaccine markets.

- 3.3 Donors are continuing to give GAVI a vote of confidence with recent announcements of extensions from Germany (its first multi-year commitment), Japan and the USA and increased contributions by Canada (US\$ 20 million specifically for measles) and Sweden. However, the need for continued demonstration of impact to ensure timely payments and preserve outer year pledges and the uncertainty brought about by upcoming elections affecting donors representing 52% of GAVI funding are frontline issues. This requires a more focused and systematic bi-partisan engagement at the donor market level in the lead up to the MTR and replenishment.
- 3.4 For 2011-2015, the latest expenditure forecast stands at US\$ 7.8 billion. This is US\$ 1.0 billion more than the estimate in June 2011, reflecting the scale-up of demand that followed the 2011 Pledging Conference and the additional resources it provided. With the increased country demand and the deferral of some IFFIm proceeds to years beyond 2015, additional contributions of US\$ 431 million still need to be raised to fully meet expected demand through 2015. Accordingly, GAVI is seeking to raise up to US\$ 500 million from new donors and through the extension, and increase where possible, of pledges of those existing GAVI donors who were unable to pledge through 2015 for a variety of reasons. This is crucial to enabling programme funding to be approved on time to fully meet anticipated country needs.
- 3.5 In addition, as programme funding decisions made during 2014 require sufficient resources to be available through 2016, it will be important to have a base of pledges for 2016 and beyond already in place by 2014. Hence, GAVI is seeking to secure additional pledges of at least US\$ 500 million for 2016-20 already in 2013-14.
- 3.6 To address the above-mentioned funding issues, the immediate focus of the Secretariat is to: (i) turn the remainder of US\$ 500 million pledges made in London into secured legal agreements; (ii) accelerate the extension and increase of pledges; (iii) seek new donor commitments; and (iv) provide as much funding as possible through long-term instruments such as IFFIm, a proven way to provide long-term predictability and flexibility to GAVI's funding stream, consistent with GAVI's Long-term Funding Strategy
- 3.7 GAVI is continuing to demonstrate the effectiveness of its model as highlighted by the high rankings received in successive donor evaluations (UK (2011), Sweden and Australia (2012), MOPAN (2013)). The recent Global Vaccine Summit in Abu Dhabi also highlighted GAVI as particularly effective. The Summit's success in terms of fundraising for polio and support for immunisation demonstrates that commitment for global health and immunisation in particular remains strong. However, donor support is

clearly linked to the demonstration of impact. GAVI is poised to demonstrate such impact in October at the MTR.

- 3.8 GAVI's MTR will take place on 30 October in Stockholm, Sweden. The MTR is a critical milestone for the GAVI Alliance as part of our commitment to be accountable for progress according to the objectives, indicators and targets of the GAVI Strategy 2011-2015.

#### **4 Risk implication and mitigation**

- 4.1 See Section C.

#### **5 Financial implications: Business plan and budgets**

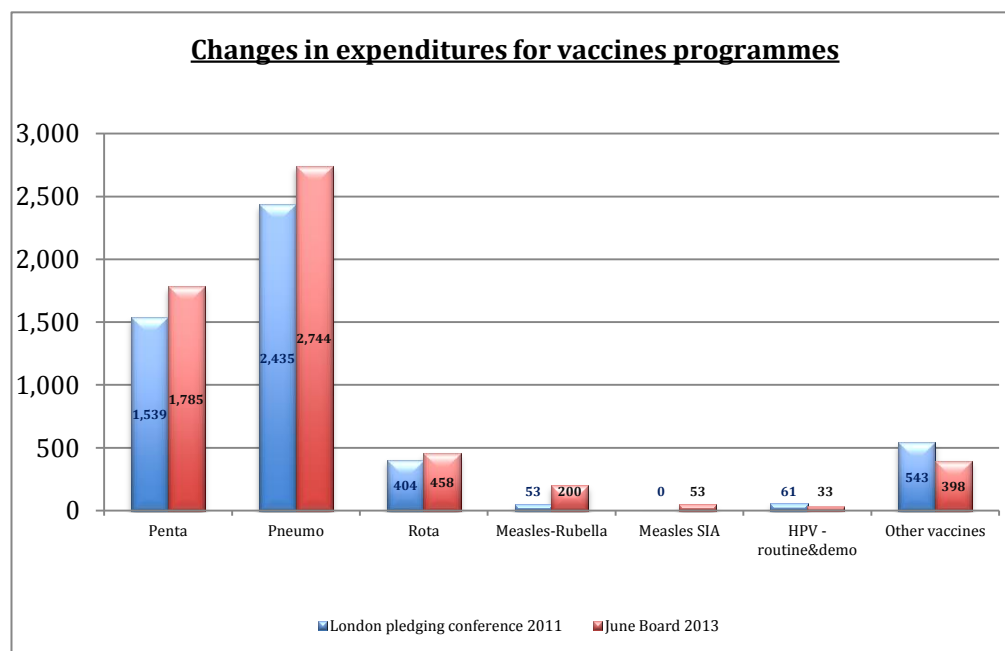
- 5.1 The budgetary impact is already addressed within the already approved 2013-14 business plan.

### **Section B Content**

#### **1 Status of fundraising**

- 1.1 At the London 2011 Pledging Conference, the GAVI Alliance received a strong vote of confidence from donors as US\$ 4.3 billion was pledged, bringing to US\$ 7.4 billion the total resources now available for expenditure in 2011-2015, prior to further pledge extensions. As was then expected, the renewed confidence in GAVI's capacity to support countries stimulated a scale-up of country demand. Two years later, the comparison of expenditures as per Figure 1 illustrates this scale-up.

Figure 1: Growth in demand since the 2011 Pledging Conference (2011-15 expenditure estimates)



- 1.2 A stronger demand and vaccine roll outs, in particular the pentavalent and pneumococcal vaccines, as well as the Board decision to open a Measles-Rubella and Measles SIAs window, have impacted GAVI finances since the replenishment. While the pledging process was launched around an original US\$ 6.8 billion demand estimate for 2011-2015, current demand estimates and status of programme implementation suggest that expenditure will reach US\$ 7.8 billion. This will fully utilise the funding raised in the current replenishment, which exceeded the amount sought in June 2011.
- 1.3 To meet country demand, assured resources available to GAVI stand at US\$ 7.4 billion as of 31 March 2013. Amid continued fiscal constraints affecting GAVI's current donors, the Secretariat has to date secured US\$ 6.6 billion in signed agreements of which 78% are multi-year agreements, with a further US\$0.3 billion coming from investment income and cash drawdown. Regular extensions and even increases of contributions were obtained from some donors that could only commit to year-by-year contributions (Japan, Germany, and USA) and additional increases notably from Canada (US\$ 20 million) and Sweden.

- 1.4 Building on the powerful mobilisation in June 2011, both public and private donors have been delivering on their pledges. Direct contributions represent 68% of total resources whereas IFFIm and AMC represent 32%. (See Annex 1). In today's uncertain economic and political climate, with increased uncertainty on aid budgets, these innovative instruments have been key to building long-term predictable funding streams to support the GAVI business model and help achieve some of the market shaping and country implementation results. In accordance with the Long-Term Funding Strategy agreed by the Board in December 2012, GAVI intends to maintain a balanced capital structure with more long-term predictable instruments.
- 1.5 The donor base currently includes 32 public and private donors (compared to 25 in June 2011), with the OPEC Fund for International Development (OFID) becoming the 32<sup>nd</sup> donor to GAVI. New partnerships are also being forged with development partners notably with the African Development Bank and Islamic Development Bank. Private sector engagement has been particularly strong. The GAVI Matching Fund now has nine partners and has raised US\$ 42.5 million (US\$ 85 million with the match). This was thanks to renewals by Comic Relief (US\$ 8 million), 'la Caixa' (US\$ 1 million), and LDS (US\$ 2.5 million); and two new members Vodafone, with an in-kind contribution valued at US\$ 1.5 million, and the Dutch National Postcode Lottery (NPL), with a pledge of US\$ 3.4 million. Good progress is being made in developing private partnerships that can help GAVI tackle operational challenges in the vaccine supply chain and increasing visibility and vaccine advocacy as well as providing additional funding for vaccine purchase.
- 1.6 Sustained donor contributions combined with implementing countries co-financing contributions and active market shaping have helped maximise value for money and development impact. Of the 65 countries that are required to co-finance their vaccines, 56 fulfilled their commitments by year-end. In 2012, US\$ 47 million was paid in co-financing representing 8% of the vaccines support to those countries. Recent price announcements for pentavalent and HPV illustrate early results of the GAVI market shaping approach both in a mature vaccine market and in a new vaccine market, and confirm the sustainability of the GAVI approach.

## **2 Resource needs (2014-2016)**

- 2.1 For 2011-2015, with the latest expenditure forecast standing at US\$ 7.8 billion, additional contributions of US\$ 431 million will need to be raised in the period 2013-2015 to fully meet expected demand through 2015 (as explained in Section A, paragraph 3.4). As a number of existing GAVI donors were not able to pledge through 2015 for a variety of reasons (see Annex 2), confirmation and where possible increases of their 2014 and 2015 pledges is crucial to meeting this need. This will enable programme funding to be approved on time to meet expected country needs as they emerge.

- 2.2 Prior to the 2011 pledging conference, GAVI had already secured a significant share of resources for the 2011-15 period through innovative financing mechanisms (i.e. IFFIm and AMC). As a result, the additional funding requested represented only approximately half of GAVI's 2011-15 resource needs. However as the expected share of resources from IFFIm and AMC is likely to be lower for the next replenishment it is likely that GAVI will approach 2016-20 with a funding ask representing a significantly larger share of its resource needs. GAVI's efforts to increase, where possible, current contributions from donors and develop new partnerships with potential donors is more important than ever to reinforce confidence in GAVI's long term sustainability post 2015.
- 2.3 In accordance with GAVI's Programme Funding Policy, programme funding decisions made during 2014 require sufficient resources to be available through to 2016. While the Policy allows the Board to make funding decisions on the assumption that direct contributions will continue at the three-year average level, it will be important to have a base of pledges for 2016 and beyond already in place by 2014

### **3 Outreach efforts**

- 3.1 To address the funding priorities in 2013-2014, the Secretariat has accelerated its efforts to: (i) confirm the remaining US\$ 500 million pledges promised at the Pledging Conference; (ii) seek extensions to pledges, and where possible increases, from donors who have yet to pledge until 2015; (iii) intensify its outreach to new public and private donors particularly in Asia and the Middle East and build new partnerships notably with regional public and private players to accelerate immunisation impact.
- 3.2 In order to strategically position GAVI within the evolving political and economic context, the Secretariat has been exploring engagement opportunities with a pool of new and emerging donors. The first of these partnerships resulted in securing US\$ 1.1 million from the Opec Fund for International Development (OFID). A second partnership approach was concluded through a Memorandum of Understanding with the Islamic Development Bank in March 2013 and a major follow up meeting is planned for mid-June 2013 in Jeddah where both sides will develop the details of the financing and partnership model. Other promising discussions are on-going with Saudi Arabia. Discussion with the Chinese government on providing funding to GAVI has shown initial progress with confirmation on potential support from China in areas of technical assistance, and direct contribution under the China-Africa Cooperation Framework. The first Ministerial Forum on China-Africa Health Cooperation scheduled to be held on 16 August, 2013 in Beijing, will be the next opportunity to take these discussions forward.
- 3.3 At the World Economic Forum Africa meeting in May 2013, a group of leading executives from Africa's public and private sectors gathered to brainstorm and identify new partnerships to support domestic resource mobilisation and the strengthening and modernisation of Africa's immunisation and public health system. Future meetings of the group of



experts will be organised to mobilise regional resource mobilisation and expertise to address some of the real time challenges such as data management, vaccination registration as well as the involvement of the region's public and private players. This is GAVI's first attempt in leveraging domestic and regional resource mobilisation for Africa.

- 3.4 With upcoming elections affecting countries representing 52% of GAVI funding, coupled with continued fiscal constraints, which will bring uncertainty, consolidating bi-partisans relationships and focusing efforts on donor priorities will be imperative to deliver the actual pledges and effectively transition to the next cycle.

### Mid-Term Review

- 3.5 It is too early to propose a clear timeline for the next replenishment, but there are obviously a number of key decisions and milestones that are expected to have important implications on the next replenishment process.
- 3.6 First, the MTR is a crucial milestone for GAVI as it will be a major accountability exercise and an opportunity to build momentum. It is anticipated that 150 participants will attend the MTR meeting which will take place in Stockholm, Sweden on Wednesday 30 October 2013. A welcome dinner will take place on 29 October, and there will also be opportunities for preparatory meetings for the different stakeholders (e.g. donors, CSOs, MPs, private sector etc.) on that day. Back-to-back with the MTR meeting, the Swedish government is organising on 31 October a high-level Ministerial meeting on 'Reinvesting in Health in the post-2015 Agenda' involving Ministers from donor and implementing countries.
- 3.7 The MTR meeting is a mutual accountability meeting to take stock of progress in immunisation, and especially towards delivering the promise of GAVI's four strategic goals, made at the Pledging Conference in London in June 2011. The MTR is built around the concept of a journey that all partners take to help build healthy lives for children in the long-term, with the MTR included as one of the moments along that journey, which reflects the road travelled and the challenges along the way. The period for the review will be 2011 to the 3rd quarter of 2013. GAVI will present on results and get the input from both donors and partners, as well as other stakeholders, on the progress made in delivering the strategic goals. The participants will also discuss how to jointly mitigate challenges and ensure sustainability, as well as discuss the need for long term predictable funding of GAVI programmes.
- 3.8 The following objectives have been set for the MTR:
  - All partners and participants should have a clear understanding of GAVI's progress towards delivering the four strategic goals, including results and challenges.

- Inclusive discussions should get consensus from partners and the broader stakeholder community to GAVI's approach to tackling challenges.
- Momentum should be built towards GAVI's second replenishment with donors, potential donors and other constituencies contributing their input into the development of the replenishment process. They should also be aware of GAVI's need for long-term sustainable funding to be able to continue to successfully deliver GAVI's mission in the future.
- GAVI should have a strong indication from MTR participants of their views and inputs into GAVI's future strategy.

3.9 In addition to the MTR, in the lead up to the next replenishment, some of the key milestones and decisions will be:

- (a) the Vaccine Investment Strategy (VIS) will look at possible future portfolios of vaccines that GAVI countries could roll out in the next cycle, above and beyond the existing portfolio, if the Board so decides. Any decision to add new vaccines to the portfolio of course comes with cost implications and would be considered in the context of strategic directions and objectives for the 2016-2020 Strategy.
- (b) The international discussions on a future post-MDG development framework are also very important for GAVI's future resource mobilisation efforts. We must ensure that health remains prominent on the global development agenda. Should a potential future health goal include the proposed "fully immunised child" indicator, such political recognition of the importance of preventive approaches for health and sustainable development would provide important leverage to maintain political will towards the next cycle.
- (c) The Secretariat has started conducting one-on-one consultations with Board members on the 2016-2020 Strategy. Such an exercise will be crucial in terms of setting GAVI's Strategic Goals moving forward and building the associated Business Plan and resource needs. The Board meeting in November will provide an opportunity to discuss how the VIS and the future Strategy will come together.

It is likely that GAVI would have the first indications of its future resource needs following decisions on the above.

### **Section C Implications**

#### **1 Risk implications**

- 1.1 Due to the ODA cuts resulting from a lasting financial and economic crisis in many regions, the risk of decreased support from existing donors or inability to increase further donor investments in GAVI is not insignificant. To mitigate these risks, GAVI is accelerating its outreach to current and new donors and plans to use its upcoming MTR to showcase the



effectiveness of its support and impact on the ground. The risk of loss of predictability of funding for countries towards outer years of the funding cycle (2014-15) is also noted. Hence, signals from donors of their intention to at least maintain support in the coming years will be crucial for continuity and transitioning into the next cycle.

- 1.2 In its efforts to reach out to new donors, several considerations have been brought to the attention of the Secretariat by potential new donors such as recognition and visibility in the GAVI governance forum.

## **2 Impact on GAVI stakeholders**

- 2.1 See above.

## **3 Impact on Secretariat**

- 3.1 See 2013-2014 business plan.

## **4 Legal and governance implications**

- 4.1 There are no legal or governance implications.

## **5 Consultation**

- 5.1 In the context of the preparations for the MTR, GAVI is organising consultations for donors, partners and other stakeholders. These consultation meetings will enable GAVI to get input into the organisation of the MTR and foresight into the expectations of the different stakeholder groups.

## **6 Gender implications**

- 6.1 The fundraising update has no specific direct implications on gender.

## Section D Annexes

### Annex 1: Composition of Proceeds for 2011-2015

Composition of Proceeds for 2011-2015

Proceeds to GAVI in US\$ millions		Direct	IFFIm	AMC	Total
Australia	210	33			242.7
Brazil		4			4.0
Canada	85		75		159.9
Denmark	17				17.4
European Commission	51				50.9
France	130	362			491.6
Germany	78				77.9
Ireland	12				12.1
Italy		172	266		438.3
Japan	28				27.5
Luxembourg	5				5.4
Netherlands	155	80			234.7
Norway	635	103	48		785.1
Republic of Korea	1				0.6
Russia			40		40.0
South Africa		5			5.0
Spain	3	59			61.5
Sweden	231	12			242.9
United Kingdom	1415	632	343		2389.7
United States	540				539.8
Bill & Melinda Gates Foundation	1290		30		1320.0
HH Sheikh Mohammed bin Zayed	33				33.0
OFID	1				1.1
"la Caixa" Foundation	7				7.4
Absolute Return for Kids (ARK)	3				3.1
Anglo American plc	3				3.0
JP Morgan	2				2.4
Children's Investment Fund Foundation	7				6.5
Comic Relief	12				11.6
LDS Charities	4				4.0
Vodafone (contribution in kind)					0.0
Dutch Postcode Lottery	3				3.2
Other Private Donors	1				0.9
<b>Total pledged</b>	<b>4959</b>	<b>1462</b>	<b>802</b>		<b>7223</b>
Timing Impact		-292	280		-12
<b>Total proceeds</b>	<b>4959</b>	<b>1170</b>	<b>1082</b>		<b>7211</b>
Investment Income					181
<b>Total inflows</b>					<b>7392</b>
Cash & Investment drawdown					80
<b>Assured Resources</b>					<b>7472</b>

Note: The GAVI financial forecast conservatively includes a provision of US\$ 0.1 billion for the risk that some assured resources may not be fully contributed if the requirements for matching by other donors are not fully met. Hence, of the US\$ 7.5 billion detailed above, US\$ 7.4 billion is counted as Assured Resources in the financial forecast.

## Annex 2: Resources Assured for 2011-2015

### Resources Assured for 2011-2015

Proceeds to GAVI in US\$ millions	Pledged as of 31st March 2013	Period of Direct Contributions Pledged	Period of IFFIm	Period of AMC
Australia	243	2011-2013	2011-2030	
Brazil	4		2011-2030	
Canada	160	2011-2015		
Denmark	17	2011-2013		
European Commission	51	2011-2014		
France	492	2011-2015	2006-2026	
Germany	78	2011-2014		
Ireland	12	2011-2014	2006-2026	
Italy	438			2008-2019
Japan	28	2011-2013		
Luxembourg	5	2011-2015		
Netherlands	235	2011-2015	2009-2016	
Norway	785	2011-2015	2006-2026	2010-2013
Republic of Korea	1	2011-2012		
Russia	40			2010-2019
South Africa	5		2007-2026	
Spain	62	2011	2006-2025	
Sweden	243	2011-2015	2007-2026	
United Kingdom	2390	2011-2015	2007-2026	2010-2015
United States	540	2012-2014		
Bill & Melinda Gates Foundation	1320	2011-2015		2009-2013
HH Sheikh Mohammed bin Zayed	33	2011-2013		2009-2014
OFID	1	2013		
"la Caixa" Foundation	7	2011-2013		
Absolute Return for Kids (ARK)	3	2012-2013		
Anglo American plc	3	2011-2013		
JP Morgan	2	2011		
Children's Investment Fund Foundation	7	2012-2013		
Comic Relief	12	2012-2014		
LDS Charities	4	2012-2013		
Vodafone (contribution in kind)		2013-2015		
Dutch Postcode Lottery	3	2013		
Other Private Donors	1	2011		
<b>Total pledged</b>	<b>7223</b>			
Timing Impact	-12			
<b>Total proceeds</b>	<b>7211</b>			
Investment Income	181			
<b>Total inflows</b>	<b>7392</b>			
Cash & Investment drawdown	80			
<b>Assured Resources</b>	<b>7472</b>			