

SUBJECT:	FINANCIAL FORECAST & PROGRAMME FUNDING ENVELOPES
Agenda item:	05
Category:	For Decision
Authored by:	Barry Greene, Managing Director, Finance & Operations Tony Dutson, Senior Director Finance & CAO

Section A: Overview

1 Executive summary

- 1.1 This report informs the Gavi Alliance Board (“Board”) of the updated Gavi financial forecast for 2016-2025 and provides an update on resources and expenditures in 2016 and 2017. (See section B)
- 1.2 It also requests the Board to approve programme funding envelopes to be allotted to individual programmes by the Secretariat, in accordance with the Programme Funding Policy, as follows:
 - (a) An envelope for Vaccine programmes and Health Systems and Immunisation Strengthening (HSIS) programmes; and
 - (b) An envelope for Cold Chain Equipment Optimisation Platform (CCEOP) programmes, in order to operationalise the recommendation of the Programme and Policy Committee to allow multi-year commitments to be entered into before June 2017, up to a maximum of US\$ 250 million.
- 1.3 The forecast indicates that all the decisions recommended for approval at this Board meeting can be made in accordance with the Programme Funding Policy. The financial implications of these decisions are summarised in Figure 1, which also indicates potential future investments yet to be considered.
- 1.4 With regard to expenditure, the forecast provides for all currently anticipated expenditure needs through 2025. It incorporates all prior funding decisions¹ and those requested at this Board meeting, and provides for future requests based on the latest demand estimates.
- 1.5 With regard to resources, the forecast includes the amounts pledged date including those made in Berlin in January 2015 and subsequently. It includes an allowance for further contributions expected as donors complete their pledging through 2020 and contribute their pledges.

¹ Including the decision of the Executive Committee in November 2016 to approve a vaccine purchase agreement that could add approximately US\$ 50 million to Gavi’s estimated expenditure for 2016-2021.

1.6 Figure 1 summarises the updated Financial Forecast, which incorporates the financial impact of the various decisions for consideration at this Board meeting. It indicates that after allowing for these potential decisions and all other programmes already foreseen in the forecast, resources of US\$ 307 million could be available for new investments, through 2020. This is dependent on donors contributing and extending their pledges through 2020.

Figure 1: Overview of resources to meet expenditure in 2016-2020

US\$ million	Post Berlin Meeting Jan 2015 (incl IPV)	Last Forecast Dec 2015 Board	Decisions already made this year	Change upon updating estimates	Impact of decisions for consideration in Dec 2016	New Forecast Dec 2016 Board
A Qualifying Resources	10,261 \$10.3 bn	9,850 \$9.9 bn		64		9,914 \$9.9 bn
B Forecast Expenditure	9,809 \$9.8 bn	9,518 \$9.5 bn	103	(173)	159	9,606 \$9.6 bn
A-B Available for future investments	452 \$0.5 bn	332 \$0.3 bn	(103)	236	(159)	307 \$0.3 bn

↑
Depends on pledge extension to 2020

Funding decisions for consideration at December 2016 Board meeting

US\$ million	Note	Decision amount	Already in Forecast	Addition to Forecast	Document #
(a) Programme funding requests <i>Investment return: Direct Health impact</i>	IRC recommendations	70	70	0	02g
(b) HPV multi-cohort strategy <i>Investment return: Direct Health impact</i>	PPC recommendation	72	0	72	12
(c) Stockpiles (Cholera & MenA) <i>Investment return: Epidemic preparedness</i>	PPC recommendation	86	0	86	13
				159	

Envelopes from which the Secretariat can allot funding

(d) Programme Funding Envelope for 2017	Per current policy	1,042	1,042		
	Per policy amendment	283	283		
	AFC recommendation	1,326	1,326	0	This paper
(e) CCEOP Funding Envelope for allotments in 2016-2017	2016-2020	180	180	0	This paper
	2021-22	70			
	PPC recommendation	250			

Potential future investment opportunities

Needs that were explicitly not part of the Replenishment Ask:	US\$m	Investment Return
IPV post 2018	~100-150 (i)	<i>Sustaining polio gains</i>
Ebola	55-255 (ii)	<i>Epidemic preparedness</i>

(i) Contingent on additional resources being made available

(ii) Discussions ongoing with donors to secure additional resources for Ebola programme

- 1.7 To assist the Board in its decision making:
- (a) The Audit and Finance Committee (AFC) on 21 October 2016 reviewed the forecast and the financial implications of the requested decisions (as summarised in Figure 1) and confirmed they can be approved by the Board in accordance with the Programme Funding Policy.
 - (b) The Programme and Policy Committee (PPC) on 25-26 October 2016 discussed some of the programmatic implications of the proposed funding decisions. With regard to the CCEOP Envelope, the PPC considered that in the period to the Board meeting in June 2017 the total multi-year commitments of grants for CCEOP programmes should not exceed US\$ 250 million, requesting the Secretariat to develop strategies for equitable allocation of the funds available. (For details of PPC recommendation, see Appendix 1).

2 Recommendations

- 2.1 The Gavi Alliance Audit and Finance Committee recommended to the Gavi Alliance Board that it:

2016-2017 budget for the Partners Engagement Framework & Secretariat

- (a) **Agree** that the budgetary amounts approved by the Board in Decision 12 of the Board Meeting of 2-3 December 2015 for each component of the Gavi Engagement Framework and Budget for Partners and Secretariat for 2016 and separately for 2017, be treated as an overall Budget amount for each component which may be utilised over both years. [See *Appendix 1, paragraph 3.1*]
- (b) **Agree** that capital expenditure of the Secretariat in excess of the capital expenditure budget can be incurred within the overall amount of the Secretariat Engagement Framework and Capital Expenditure budgets for both years. [See *Appendix 1, paragraph 3.2*]
- (c) **Agree** that expenditure on Operational Partnerships, which are a new initiative for which no provision was made in the aforementioned Budget for 2016 and 2017 can be incurred within the overall amount of the Secretariat/Partners' Engagement Framework budgets for both years. [See *Appendix 1, paragraph 3.3*]

- 2.2 The Gavi Alliance Board is also requested to:

2017 General Programme Funding Envelope for “unrestricted” countries

- (a) **Approve** a 2017 Programme Funding Envelope for unrestricted countries from which the Secretariat, under the Programme Funding Policy, shall allot funding to programmes until 31 December 2017, to endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ **1,306** million.

(These endorsements would constitute acknowledgement of such budget amounts at the time of allotment but would not constitute a funding approval, decision, obligation or commitment of the GAVI Alliance or its contributors.)

Cold Chain Equipment Optimisation Platform Funding Envelope

- (b) **Approve**, subject to the Board approving the recommendations with respect to the CCEOP (Doc 07b), a CCEOP Funding Envelope for unrestricted countries from which the Secretariat, under the Programme Funding Policy, shall allot funding to programmes until 31 December 2017, to endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new CCEOP programmes for an aggregate amount not exceeding US\$ **250** million

(These endorsements would constitute acknowledgement of such budget amounts at the time of allotment but would not constitute a funding approval, decision, obligation or commitment of the GAVI Alliance or its contributors.)

- 2.3 The Gavi Alliance Board in session without the participation of US citizens and residents is requested to:

2017 General Programme Funding Envelope for “restricted” countries

- **Approve** a 2017 Programme Funding Envelope for restricted countries from which the Secretariat, under the Programme Funding Policy, shall allot funding to programmes until 31 December 2017, to Endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ **20** million.

(These endorsements would constitute acknowledgement of such budget amounts at the time of allotment but would not constitute a funding approval, decision, obligation or commitment of the GAVI Alliance or its contributors.)

Section B: Content

3 Updated forecast of expenditure needs and resources

- 3.1 The current Gavi financial forecast (v14.0Fb) incorporates the latest demand estimates, funding decisions to date (through 15 November 2016), and funding decisions for consideration in December 2016. A high-level summary is included in Figure 1, and detailed information is provided in Appendix 2.

Resources

- 3.2 The forecast of resources includes amounts pledged to date, including in Berlin in January 2015. Further contributions are expected as donors complete pledging for all years through 2020. In advance of that, an allowance for further direct contributions not yet pledged is included, for programme approval purposes. This assumes overall direct contributions in 2019 and 2020 will continue at their 2016-2018 level. It is also assumed for indicative purposes that this level will continue in 2021 and 2020 for the purpose of providing visibility to the Board on programme funding decisions.

- 3.3 The forecast includes an allowance US\$ 425 million for further direct contributions not yet pledged through 2020, in addition to currently Assured Resources, and indicates that the decisions recommended for approval at the December 2016 Board meeting can be made in accordance with the Programme Funding Policy.

Expenditure

- 3.4 The forecast includes all currently anticipated expenditure for programmatic and Gavi Engagement Framework needs through 2020, based on Gavi's current Vaccine Investment Strategy. Overall expenditure for 2016-2020 is now forecast at US\$ 9.6 billion. This remains close to the US\$ 9.5 billion per the December 2015 forecast. The increase in expenditure arising from Board and Executive Committee decisions approved since then and those proposed for approval in December 2016 is largely off-set by changes in estimates of expenditure to meet demand (see row B of Figure 1). Further detail is provided in Appendix 2).

Coverage of funding decisions

- 3.5 The forecast indicates that expenditure for all Existing Programmes and the new proposed investments that will be presented to the Board in December is fully covered by Qualifying Resources through 2020 as is required by the Programme Funding Policy.
- 3.6 The forecast also indicates that up to US\$ 307 million could be available through 2020 to meet needs beyond those currently included in the forecast. This is dependent on all donors completing their pledging through 2020 and contributing their pledges.
- 3.7 In addition to the forecast for 2016-2020, a tentative forecast for 2021-2025 is now also included. This provides a very preliminary outlook, at this time.
- 3.8 Appendix 2 provides further detail of the various components of resources and expenditure and the evolution of their associated estimates since the last forecast, which was in December 2015.

4 Update on resources and expenditures in 2016 and 2017

- 4.1 Resources: Cash inflows in 2016 are predicted to be 102% of the amount projected in December 2015. The increase is due mainly to additional direct contributions. In January through September 2016, 77% of the projection for the whole year was realised, compared to 75% in the corresponding period of 2015.
- 4.2 Expenditure: Disbursements for programmes in 2016 are predicted to be 86% of the amount projected in December 2015. The decrease reflects the amount of programme approvals and endorsements expected in 2016 in response to country demand, and updated assumptions on disbursement timing. In January through September 2016, 52% of the projection for the whole year was realised, compared to 61% in the corresponding period of 2015.
- 4.3 Programme funding Envelope utilisation: By 30 September, 84% of the 2016 General Envelope had been utilised, with 88% utilisation forecasted by year end.

- 4.4 Further details on Gavi resources and expenditures, including reporting on Gavi's operating expense and overhead ratios, operational partnerships and programme funding envelope utilisation is provided in Appendix 3.

Section C: Risk implications and mitigation and financial implications

5 Risks associated with the financial forecast and mitigations

- 5.1 The financial forecast is relied upon when Gavi is considering potential decisions to support programmes. Forward-looking assumptions and estimates are inherent in the forecast. The risks associated with reliance on the financial forecast are described in Appendix 2 (paragraph 5), which outlines factors that may impact the forecast.
- 5.2 Should the net effect of risk factors materially impair the reliability of the forecast, the following are important measures towards mitigating that risk:
- (a) The Cash and Investments Reserve, equivalent to eight months' future expenditure at least, provides a cushion for adverse fluctuations in resources and expenditures.
 - (b) For each year, a surplus is forecast 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, endorsement can be declined or deferred in the light of resource availability as foreseen at that time.

6 Financial implications

- 6.1 The forecast indicates that provided all donors extend pledges through 2020 and contribute those pledges when due, Gavi has the financial capacity to meet its foreseen expenditure needs through 2020, including those arising from the decisions for consideration at this Board meeting.

Attachments

- Appendix 1: Decisions originating in this paper
- Appendix 2: Updated Financial Forecast – details, including evolution

Additional Information available on nyGavi:

- Appendix 3: Update on Resources and Expenditure in 2016 & 2017
- Appendix 4: Calculation details

Appendix 1: Decisions originating in this paper

1 General Programme Funding Envelope for 2017

- 1.1 In December 2015, the Board approved a Programme Funding Envelope, from which the Secretariat can allot funding for the continuation and adjustment of funding for existing vaccine and cash programmes, and for new cash programmes, during 2016. This envelope will expire at the end of 2016, and hence a new envelope is now proposed for 2017, in accordance with the Programme Funding Policy.
- 1.2 To establish the Programme Funding Envelope for 2017, the Board is now requested to approve an envelope for 2017, from which the Secretariat, in accordance with the Programme Funding Policy, shall allot funding to programmes until 31 December 2017 to:
- (a) Endorse or adjust previously endorsed amounts of programme multi-year budgets for existing programmes and new cash programmes for an aggregate amount not exceeding US\$ 1,306 million for unrestricted countries and US\$ 20 million for restricted countries. **(In total US\$ 1,326 million).**
 - (b) The Board is requested to make the decisions that relate to restricted countries in session without the participation of US citizens and residents
- 1.3 Calculation details of the Envelope are provided in Appendix 4.

Endorsed programme budget amounts

- 1.4 The cash flows arising from changes to endorsed programme budgets for the envelope amount are included within the expenditure forecast, for which adequate Qualifying Resources exist in conformity with the Programme Funding Policy.

2 Cold Chain Equipment Optimisation Platform (CCEOP)

- 2.1 Financial Forecast Update: In June 2015, the Board approved the establishment of the CCEOP and noted that an initial amount of US\$ 50 million would be allocated from the resources pledged for 2016-2020 to fund initial applications in 2016-2017 to operationalise the platform. This amount was intended to be reassessed and potentially increased based on initial applications to the CCEOP.
- 2.2 The Secretariat has now extended its financial forecast for CCEOP from 2020 to 2025 consistent with Gavi's overall financial forecast extension. The updated forecast anticipates approximately US\$ 50 million a year being spent on CCEOP from 2017 to 2025. (Note: it is anticipated that a small disbursement of US\$ 2 million will occur in 2016). This is in line with initial projections presented to the Board in June 2015 which indicated that the platform would require US\$ 50-60 million per year for equipment purchases to support all 55 Gavi-eligible and graduating countries (excluding India).
- 2.3 Authority to allot funding: The Secretariat is proposing the creation a specific envelope for the CCEOP, in order to provide an efficient process for allotting

funding under the CCEOP to individual programmes. This proposal is reflected in the paper “Revision of the Programme Funding Policy” for Board approval.

- 2.4 The AFC has confirmed that funding is available for the proposed envelope, from which the Secretariat would allot funding to CCEOP programmes for **an initial amount of US\$ 250 million**. Of this, US\$ 180 million is estimated to be spent in 2016-2020 (including the initial US\$ 50 million allocated in June 2015) and US\$ 70 million in 2021-2025.
- 2.5 This request is essential towards ensuring that the Platform scales-up support in line with country demand, contributing to the achievement of Gavi’s strategic goals and helping to mitigate risks to the Alliance’s vaccine investments. The Board projections anticipated prices of CCE decreasing by up to 15%. However, the opportunity to expand investments in innovative, newly-pre-qualified equipment (e.g. devices and systems to manage stocks in the cold chain) may open the door to refine projections.
- 2.6 Depending on future demand, changes in the mix and pricing of supported products, and progress with further scaling up the Platform, the Secretariat may return to the AFC and Board in 2018 with an updated financial request.
- 2.7 Calculation details of the Envelope are provided in Appendix 4.
- 2.8 The recommendation of the Programme and Policy Committee on CCEOP from 25-26 October is appended in Annex 1 of this Appendix.

3 Management of approved budget for 2016 and 2017

- 3.1 The Board in December 2015 approved various components of the Engagement Framework and Budget for Partners and Secretariat for 2016 and separately for 2017. Rather than seeking any adjustment to the budget for 2017, the Secretariat is requesting that the already approved budget for each year be treated as an overall Budget amount for each component which may be utilised over both years.
- 3.2 The Secretariat is also requesting that that capital expenditure of the Secretariat in excess of the capital expenditure budget can be incurred within the overall amount of the Secretariat Engagement Framework and Capital Expenditure budgets for both years. This could enable some now foreseen capital expenditure beyond the amount originally budgeted to be absorbed without seeking any overall budget increase for 2016 or 2017 in respect of operating expenses plus capital expenditure. The capital expenditure relates to the Health Campus building which Gavi will occupy from 2018 and information systems development.
- 3.3 Operational Partnerships are developed by the Gavi Secretariat, often using donor matching funds, with the objective of leveraging private sector resources to support the achievement of the Gavi mission in one or more Gavi-supported countries. Each partnership is wholly aligned to a Gavi Strategic Goal or Strategic Enabler. Up until now, there has not been a place in Gavi reporting for this type of expenditure. Approximately US\$ 5 million a year is anticipated in 2016 and 2017 and the Secretariat will seek to absorb this within the Board approved PEF / Secretariat budgets for these years.

Annex 1 (of Appendix 1)

Recommendation of the PPC: Cold Chain Equipment Optimisation Platform

The Gavi Alliance Programme and Policy Committee recommended to the Gavi Alliance Board that it:

(a) **Note** that:

- i. In June 2015 it
 - a) Approved the creation of an innovative mechanism to strengthen country cold chain systems and advance the Alliance's Supply Chain Strategy and, ultimately, its coverage and equity goals (the «CCE platform»), the design of which is set out in Section 3 of Doc 15 to the PPC and includes a funding model tiered by country GNI level;
 - b) Noted that an amount of US\$ 50 million (to be reassessed and potentially increased based on initial applications to the CCE platform) will be allocated from the resources pledged for 2016-2020 (which envisage funding for strategic initiatives to realise Gavi's new strategy) to launch the implementation of the CCE platform and fund the initial applications in 2016-2017 and requested the Secretariat to report back to the PPC and to the Board in 2017 on the implementation of the CCE platform;
- ii. At that time, the Secretariat noted that the proposed initial investment of US\$ 50 million by Gavi is to launch the platform. The total estimated funding for the platform required for Gavi countries, excluding India, was estimated to be between US\$ 240 million and US\$ 310 million for five years;
- iii. Following the approval of the CCE platform and its subsequent launch, demand for support under the platform has exceeded initial expectations foreseen in the 2015 CCE platform Board decision;
- iv. Additional funding is now required for 20 countries that have applied in 2016 for an amount of approximately US \$150 million; and
- v. Additional applications are expected to be received before the first Board meeting in June 2017.

(b) **Decide** that:

- i. Consistent with the 2015 Board decision, a review of progress and lessons learned of the CCE platform should be presented to the PPC at its meeting in May 2017 and the Board in June 2017, including its links with HSIS, anticipated impact on the market and the quality of the overall immunisation systems, country case studies, an updated demand forecast, and taking into account feedback provided by the IRC on applications reviewed;
- ii. Based on that review, the Secretariat will present to the PPC and Board future options for the implementation of the CCEOP; and

- iii. **In the period up to the Board meeting in June 2017, the total multi-year commitments of grants for CCEOP should not exceed US\$ 250 million,** requesting the Secretariat to develop strategies for equitable allocation of the funds available.

Appendix 2

Updated Financial Forecast – details, including evolution

1 Introduction

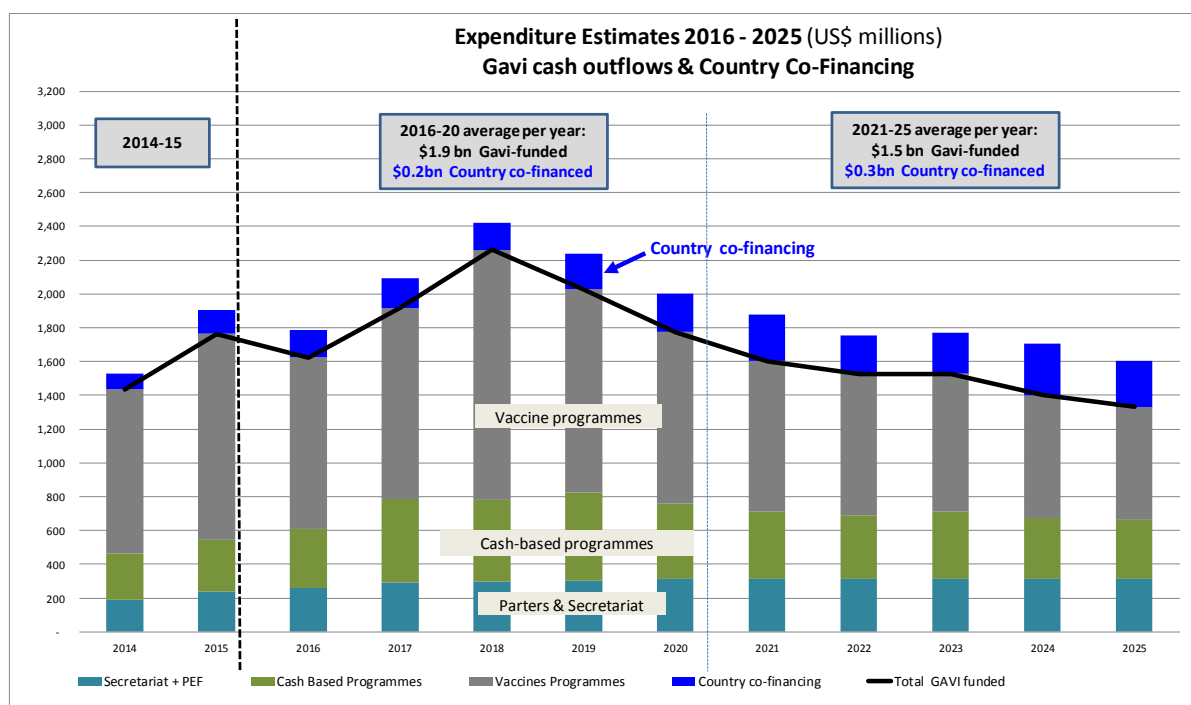
This Appendix provides details of the updated financial forecast that the Gavi Board will review in December 2016. It explains the factors underlying the various components of anticipated expenditure to meet country demand, and the resources available to meet that demand. While the principal focus is on Gavi’s current strategic period, 2016-2020, the forecast includes preliminary estimates through 2025 to provide additional visibility.

2 Expenditure to meet country demand

2.1 The expenditure estimates in this forecast (version 14.0Fb) are based on the latest operational forecast (version 14.0), issued in September 2016. The forecast reflects all previous funding decisions of the Board and Executive Committee. It incorporates updated implementation assumptions based on latest information regarding country readiness and vaccine supply availability.

2.2 The overview of projected expenditures (below) illustrates the scale-up of country demand, with Gavi-funded expenditure expected to reach an average level of US\$ 1.9 billion per year in 2016-2020. Based on the current vaccine investment strategy, this will reduce to US\$ 1.5 billion per year in the period 2021-2025 period. This is broadly in line with Gavi’s investment case presented in April 2014.

Figure 1: Evolution of expenditure



2.3 Country co-financed amounts are shown at the top of each bar (above the trend line). Total estimated co-financing for 2016-2020 amounts to US\$ 0.9 billion. This

will increase to US\$ 1.3 billion for 2021-2025. Additional to this co-financing are the investments that the countries make in their immunisation programmes.

- 2.4 The estimates are based on current Gavi eligibility and graduation rules and include provision for the opening of the envisaged new vaccine window Typhoid (from 2020). As in the prior forecast, inactivated polio vaccine (IPV) is incorporated in Gavi's estimates for the period for which donors have provided funding (2014-2018).
- 2.5 Expenditure estimated for 2021-25 is indicative at this time. The reduction of the annual average level to US\$ 1.5 billion per year is due to factors such as transitioning of countries from eligibility for Gavi support. It does not include any new investments that the Board may approve in the future.
- 2.6 More granular details of expenditure are provided in Figure 5 (at the end of this appendix). These include yearly amounts for each vaccine and type of support, and distinguish between country programmes already being supported by Gavi and those anticipated to be supported in the future, within Gavi's current vaccine introduction strategy.
- 2.7 The expenditure to meet country demand and the resources available are summarised in the table below.

Figure 2: Summary of expenditure and Qualifying Resources 2016-2020

US\$ million	New Forecast Dec 2016 Board	
Existing Programmes & PEF/Secretariat	7,237	75%
Expected Future Requests (for existing portfolio)	2,369	25%
Total Expenditure	9,606	
Direct contributions - confirmed	6,795	
Direct contributions for IPV	245	
IFFIm Proceeds	1,314	
AMC Proceeds	492	
Investment Income	150	
Decrease/(increase) in Cash & Investments Reserve	17	
Resources available from 2011-2015	475	
Assured resources	9,488	96%
Allowance for additional contributions, not yet pledged*	425	4%
Qualifying Resources	9,914	
Available for future investments	307	

*Programme Funding Policy: Allowance for further direct contributions to maintain an annual level equivalent to that confirmed for 2016-2018 (\$1.44bn) in subsequent years

3 Resources available

- 3.1 Direct contributions: The forecast relies on all pledged contributions, including those pledged in Berlin, being paid when due. Because not all donors were able to pledge through to 2020, the resource forecast, in compliance with the Programme Funding Policy, includes an Allowance for Further Direct Contributions not yet pledged. The Allowance assumes, solely for the purpose of making programme funding decisions, that the overall level of direct contributions will be maintained at no less than the 2016-18 level of US\$ 1.44 billion per year in subsequent years (see Annex 1, paragraph b). The Secretariat expects that this will be achieved.
- 3.2 IPV contributions: The forecast for IPV relies on contributions pledged by donors (DFID, Norway and Bill & Melinda Gates Foundation (BMGF) for the period 2014-2018². A further funding commitment of approximately US\$ 31 million³ has being provided by BMGF, the Rotary Club and CDC to support the India IPV programme on a catalytic basis.
- 3.3 IFFIm proceeds: The forecast includes proceeds from existing IFFIm pledges, an estimate of US\$ 0.2 billion from new Berlin pledges and takes into account of the maximum amount that can be provided to Gavi based on the current leverage limit (~58%) and the timing of Gavi's need for this funding. The ability to receive IFFIm proceeds when most needed for programme funding helps Gavi to match the timing of expenditure needs and the availability of resources. Any new pledges to IFFIm would increase these proceeds.
- 3.4 Drawdown from cash and investment reserve: The forecast of resources available includes an amount of US\$ 492 million that is projected to be available for drawdown by 2020 from the cash and investments reserve required by the Programme Funding Policy. Because the amount of the reserve requirement is linked to annual expenditure levels, the amount available for drawdown would decrease if expenditure exceeds the amounts currently forecast.

4 Capacity to meet projected demand in 2016-2020

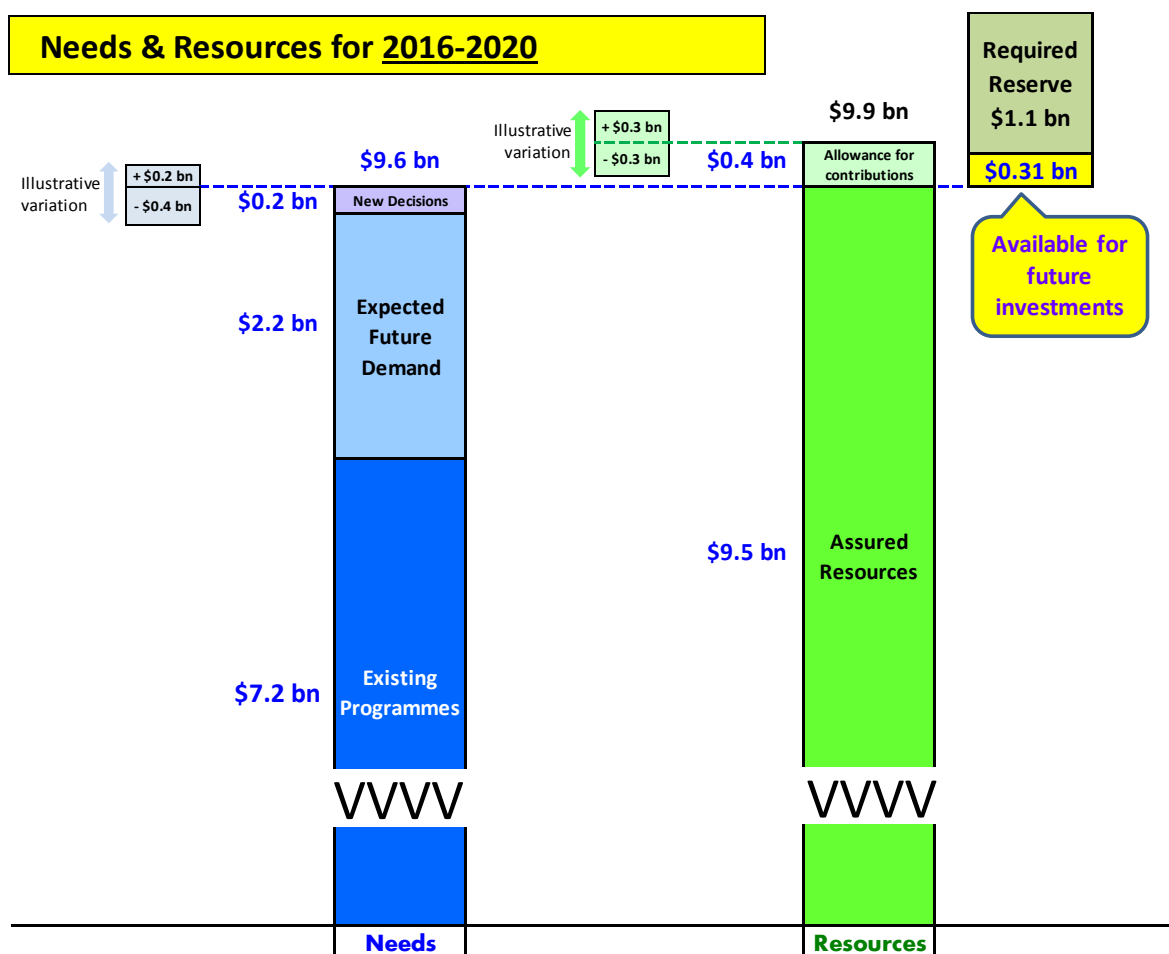
- 4.1 Figure 3 below illustrates the capacity to meet the needs of existing and future programmes as outlined above 2016-2020.
- 4.2 Expenditure to meet country demand is projected at US\$ 9.6 billion for 2016-20. Of this demand, US\$ 7.2 billion (75%) is expected to come from existing programmes including their extension through 2020, US\$ 0.2 billion (2%) from new requests being presented to the Board. A further US\$ 2.2 billion (23%) from Expected Future Requests.

² Norway has pledged for the period 2014 to 2019, for IPV. For the purpose of this forecast, the 2019 pledge of NOK 190 million (~US\$ 25 million) is excluded to reflect the current official programme duration of 2014-2018.

³ Gavi's financial forecast captures expenditure and income for India's IPV at US\$ 18.6 million with a further US\$ 12 million being provided by Rotary and CDC directly to UNICEF without passing through Gavi's books.

- 4.3 Already assured resources of US\$ 9.5 billion covers fully projected expenditure. When the Allowance for Further Direct Contributions of US\$ 0.4 billion is taken into account, Qualifying Resources amount to US\$ 9.9 billion.
- 4.4 Hence, provided all pledges are contributed, up to US\$ 0.3 billion could be available in 2016-2020 to meet needs beyond those currently provided for in the forecast. Proposed decisions being brought to the Board in December (e.g. HPV multi-cohort strategy and stockpiles) could if the board so choose, be funded from these resources as still leave a further US\$ 307 million for future investments.

Figure 3: Overview of needs and resources



See Annex 1 to this Appendix: 'Terminology' for an explanation of terms used.

5 Risks associated with the financial forecast and mitigations

Factors that may impact the expenditure forecast include:

- 5.1 Adjustments arising from reviews of Annual Progress Reports and Secretariat adjustments for updated implementation assumptions have historically resulted in the reduction of endorsed programme budgets in light of actual implementation progress. However no reduction has been made in the forecast for 2016-2020 reflecting a prudent approach.

- 5.2 The forecast includes assumptions for supply constraints for IPV, as currently anticipated.
- 5.3 Expenditure reductions may also be achieved through future vaccine price reductions and more efficient stock management at country level that cannot yet be counted in the forecast.
- 5.4 The introduction of new vaccines would increase expenditure, as would any changes to the recommended age catchments for vaccine campaigns.

Factors that may impact the forecast of resources available include:

- 5.5 Proceeds to Gavi from IFFIm: In 2013, the IFFIm Board enhanced IFFIm's overall risk profile in a manner that will be beneficial to Gavi for the longer term, while postponing proceeds to Gavi in the near-term. No further such adjustments are currently anticipated that would affect the resources available to Gavi. The forecast includes incremental proceeds of US\$ 0.2 billion for the period 2016 – 2020 from new donor pledges⁴ of US\$ 0.3 billion made in Berlin. If these pledges are not converted into contribution agreements to IFFIm then Gavi available resources would be decreased by a corresponding amount.
- 5.6 Foreign currency exchange (FX) rates: In Berlin, donors pledged US\$ 4.8 billion of the US\$ 7.5 billion in non-US dollar currencies for the 2016–2020 period. Non-US dollar pledges were expressed in US dollar equivalents using the forecasted FX rates for the period as reported in Bloomberg on 23 January 2015. With 95% of forecasted expenditures in US dollars, Gavi seeks to mitigate the risk of fluctuations in currency exchange rates by purchasing hedging instruments in line with Gavi's currency hedging policy. If the non-US unhedged dollar and pledges were not to materialise as forecasted due currency devaluations Gavi would have less resources available. To allow for such an eventuality when forecasting the amount of resources available, a provision of US\$ 120 million (representing approximately 5% of the non-USD unhedged values) has been deducted in arriving at the forecast value of proceeds from these pledges.

Risk mitigation

- 5.7 Should the net effect of risk factors materially impact the forecast, the following are important measures towards mitigating that risk:
 - a) The Cash and Investments Reserve, equivalent to eight months' future expenditure at least, provides a cushion for adverse fluctuations in resources and expenditures.
 - b) For each year, a surplus is forecast 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, endorsement can be declined or deferred in the light of resource availability as foreseen at that time.

⁴ Australia has signed a grant agreement with IFFIm of AU\$37.5 million in line with its Berlin pledge during 2016. Grant agreements from Netherlands and France are still pending as of September 2016.

6 Evolution of the forecast for 2016-2020

Figure 4: Changes since the last forecast – detail

Overview of resources to meet expenditure in 2016-2020

US\$ million	Post Berlin Meeting Jan 2015 (incl IPV)	Last Forecast Dec 2015 Board	Decisions already made this year	Change upon updating estimates	Impact of decisions for consideration in Dec 2016	New Forecast Dec 2016 Board
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Resources Available						
Direct contributions - confirmed		6,761		34		6,795
Direct contributions for IPV		252		(7)		245
IFFIm Proceeds		1,314		0		1,314
AMC Proceeds		349		143		492
Investment Income		180		(30)		150
Total Inflows	9,538	8,856		140		8,996
Decrease/(increase) in Cash & Investments Reserve		31		(14)		17
Resources available from 2011-2015	200	444		31		475
Assured resources 2016-2020	9,738	9,331		157		9,488
Allowance for additional direct contributions, not yet pledged	523	519		(94)		425
A Qualifying Resources	10,261	9,850		64		9,914
Forecast Expenditure						
Penta		1,020		(458)		562
Pneumo		2,503		(83)		2,420
- Gavi funded		2,153		(225)		1,928
- AMC funded		349		143		492
Rota		752	50	(20)		782
Measles-Rubella		521		12		533
HPV		357		(0)	67	424
Typhoid		136		(0)		136
IPV		204		37		241
Yellow Fever		207		113		320
Other vaccines		332	25	2	68	426
Vaccine programmes	6,491	6,032	75	(397)	135	5,845
Health Systems Strengthening		1,308		(8)		1,300
Campaign operational costs		467		41	39	548
- HPV		0		0	21	21
- Yellow Fever		65		30		95
- All Other		402		11	19	432
Vaccine introduction Grants		142		11	(15)	138
- HPV		44		0	(15)	29
- Yellow Fever		6		7		12
- All Other		93		5		97
Other vaccines		46	28	37		111
HSIS programmes	1,509	1,963	28	82	24	2,096
CCEOP programmes		50		150		200
Provision for Strategic Investments	500					
PEF and Secretariat engagement	1,309	1,473		(8)		1,465
B Expenditure	9,809	9,518	103	(173)	159	9,606
A-B Available for future investments	452	332	(103)	236	(159)	307
Total expenditure on:						
HPV		401		(0)	72	473
Yellow Fever		278		150	0	427
Stockpiles (Cholera & MenA, vaccines and operational costs)					86	
					159	

6.1 **Evolution of Resources:** (see figure 4)

Qualifying Resources have increased by US\$ 64 million due to:

- (a) An increase of US\$ 27 million in direct contributions pledged (including for IPV) reflecting the net of the addition of new pledges signed and foreign exchange rate adjustments.
- (b) An increase of US\$ 143 million in AMC funding available, consistent with expenditures which are now been forecasted to incur primarily in 2016-2020 instead of in 2021-2025.
- (c) Reductions totalling US\$ 106 million (US\$ 94 million in the allowance for additional contributions and US\$ 30 million in estimates for investment income).
- (d) Various adjustments totalling US\$ 13 million.

6.2 **Evolution of Expenditure:** (see figure 4)

The December 2015 forecast estimated expenditure in 2016-2020 at US\$ 9.5 billion. Total expenditure is forecasted now at US\$ 9.6 billion. The net increase of US\$ 0.1 billion includes US\$ 103 million for decisions already made in 2016, US\$ 159 million the impact of decisions for consideration by the Board in December 2016, and a reduction of US\$ 173 million upon updating expenditure estimates.

Changes are due to the following primary drivers:

- (a) A reduction in the cost of procuring vaccines that will yield projected savings of approximately US\$ 700 million (mainly **pentavalent, rotavirus and PCV vaccines**). Of this amount approximately half is from updated price projections resulting from new tender outcomes and market movements. The balance of the reduction is primarily from later introductions and implementation of a new approach to project targets. The new target methodology considers multiple data sources, including historical shipment information, to forecast volumes with a less ambitious view than was previously used, in order to reduce the likelihood that actual expenditures will be below forecasted costs
- (b) The review of the **World Health Organization's revised global Yellow Fever control strategy** (reviewed by SAGE on 26 October 2016) and its related implications for Gavi's investments in yellow fever vaccine is estimated to require an additional investment of approximately US\$ 150 million over the original forecasted amount of US\$ 278 million for 2016-2020 period. This is inclusive of routine immunisation, mass preventative campaigns and vaccine stockpiles.
- (c) A proposed **new multi-cohort strategy for HPV** will account for an increase of US\$ 72 million.
- (d) A change in Gavi's strategy in relation to **vaccine stockpiles** will account for an additional amount of US\$ 86 million in the 2016-2020 period.

- (e) An increase in **AMC funded PCV programmes** of US\$ 143 million that has now been forecasted to incur primarily in the 2016–2020 period (previously forecasted to be incurred in 2021-2025 period).
- (f) An increase in **CCEOP programmes** of US\$ 150 million for the period 2016-2020 in line with the assumptions highlighted in the June 2015 Board decision on CCEOP that estimated expenditures at US\$ 50-60 million period per year for this period.
- (g) A decrease of US\$ 30 million in projected investment income reflecting current economic environment.

Figure 5: Projected expenditure to meet demand

- Details by year and programme

Expenditure estimate 2016-2020 (tentative)	Existing Programmes		New Requests		Estimate for future demand	Total		2016	2017	2018	2019	2020
	Endorsed	Provision for Extensions	Endorsed	Prov. for Extensions								
Cash flow basis, US\$ million												
Programmes:												
Penta	440	122	-	-	-	562	7%	160	107	113	89	91
Pneumo	1,911	505	-	-	5	2,420	30%	520	456	638	469	337
Rota	532	106	50	-	94	782	10%	97	125	203	191	166
Measles-Rubella	166	-	-	-	367	533	7%	55	124	161	133	59
Measles SIA	12	-	-	-	-	12	0%	9	3	0	-	-
HPV - routine	64	6	1	-	353	424	5%	9	63	99	117	136
Typhoid	-	-	-	-	136	136	2%	-	-	-	34	102
IPV/Polio	197	44	-	-	-	241	3%	59	92	62	28	-
Other vaccines	286	24	16	-	409	734	9%	107	159	203	144	122
Total Vaccine Programmes	3,608	807	67	-	1,363	5,845	72%	1,016	1,130	1,480	1,204	1,015
Health systems strengthening	1,040	-	-	-	260	1,300	16%	270	270	253	253	253
Campaign operational costs	111	-	2	-	435	548	7%	34	126	121	170	96
Vaccine introduction grants (incl. IPV)	26	-	-	-	112	138	2%	9	30	39	30	30
All other cash (ISS, CSO, HPV etc)	106	-	-	-	5	111	1%	34	20	23	17	17
Total HSIS Programmes	1,282	-	2	-	812	2,096	26%	348	447	436	470	396
CCEOP	6	-	-	-	194	200	2%	2	48	50	50	50
Total Cash-based Programmes	1,288	-	2	-	1,006	2,296	28%	350	495	486	520	446
Total Programmes	4,896	807	69	-	2,369	8,141	100%	1,366	1,625	1,965	1,723	1,461
Partners		913				913		161	184	184	189	195
Secretariat		552				552		98	108	112	115	119
PEF & Secretariat (Business plan)		1,465				1,465		259	292	296	305	314
Total Expenditure	4,896	2,272	69	-	2,369	9,606		1,625	1,917	2,261	2,028	1,775
2016-2020	\$7.2 bn		\$0.1 bn		\$2.4 bn	\$9.6 bn						

Expenditure estimate 2021-2025 (tentative)	Existing Programmes		New Requests		Estimate for future demand	Total		2021	2022	2023	2024	2025
	Endorsed	Provision for Extensions	Endorsed	Prov. for Extensions								
Cash flow basis, US\$ million												
Programmes:												
Penta	6	397	-	-	-	403	7%	92	86	81	75	68
Pneumo	25	1,302	-	-	34	1,360	23%	327	297	265	244	228
Rota	10	416	1	-	215	641	11%	144	135	129	121	112
Measles-Rubella	-	-	-	-	315	315	5%	64	72	61	57	60
Measles SIA	-	-	-	-	-	-	-	-	-	-	-	-
HPV - routine	2	40	-	-	401	443	8%	92	88	88	88	87
Typhoid	-	-	-	-	540	540	9%	99	118	146	101	75
IPV/Polio	-	-	-	-	-	-	-	-	-	-	-	-
Other vaccines	23	85	-	-	132	239	4%	72	42	44	43	39
Total Vaccine Programmes	65	2,240	1	-	1,635	3,941	68%	892	838	815	728	669
Health systems strengthening	68	-	-	-	1,232	1,300	22%	260	260	260	260	260
Campaign operational costs	12	-	-	-	261	273	5%	68	60	69	43	33
Vaccine introduction grants (incl. IPV)	-	-	-	-	58	58	1%	20	6	20	6	6
All other cash (ISS, CSO, HPV etc)	-	-	-	-	-	-	-	-	-	-	-	-
Total HSIS Programmes	81	-	-	-	1,551	1,631	28%	348	326	349	309	300
CCEOP	-	-	-	-	250	250	4%	50	50	50	50	50
Total Cash-based Programmes	81	-	-	-	1,801	1,881	32%	398	376	399	359	350
Total Programmes	146	2,240	1	-	3,436	5,822	100%	1,289	1,214	1,214	1,087	1,018
Partners		976				976		195	195	195	195	195
Secretariat		593				593		119	119	119	119	119
PEF & Secretariat (Business plan)		1,569				1,569		314	314	314	314	314
Total Expenditure	146	3,809	1	-	3,436	7,392		1,603	1,528	1,527	1,401	1,332
2016-2020	\$4.0 bn		\$0.0 bn		\$3.4 bn	\$7.4 bn						

Annex 1 (to Appendix 2)

Terminology

Terms used in this Financial Forecast have the meanings described below:

- (a) Assured Resources comprise:
- Cash and investments of the Gavi Alliance, 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 Alliance 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 programme funding): 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. With Berlin pledges included, the projected level is US\$ 1.5 billion for the year, which equates to the annual average of confirmed pledges for 2016-2018.
- (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-specific programmes that have already been approved for support by Gavi, and expenses of the Secretariat and Partner Engagement Framework.
- (e) New Requests: Projected 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 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 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 and hence may appear not to sum to their total because of rounding.