

Annex A: Caps and floors for the Health Systems and Immunisation Strengthening (HSIS) allocation formula

1. Background and principles

The Board-approved Health Systems and Immunisation Strengthening (HSIS) policy, includes a formula that produces an allocation of health system strengthening (HSS) and technical assistance funding by considering health system performance, financial capacity, and population. However, it does not fully address the risk of under-allocation to very small countries or over-allocation to large ones. To mitigate these imbalances, Gavi has historically applied **floors** (minimum allocations) and **caps** (maximum allocations) to ensure both an equitable and practical funding distribution. A summary of historical caps and floors is provided in Table 1.

Table 1: Caps and floors per strategic period

Strategic Period	Total Envelope (Original budget)	Caps	Floors
Gavi 4.0	US\$ 2 billion (US\$ 1.3 billion Health Systems Strengthening – HSS* + US\$ 200 million Cold Chain Equipment - CCE + ~US\$ 400 million Targeted Country Assistance - TCA)	US\$ 100 million HSS + TCA (as needed) + CCE	US\$ 3 million HSS + TCA (as needed) + CCE
Gavi 5.0/5.1	US\$ 2.2 billion (HSS, Equity Accelerator Funding - EAF, CCE)** + US\$ 550 million TCA	None, but US\$ 25 million maximum TCA	US\$ 8 million (US\$ 3 million HSS, US\$ 1 million EAF) + US\$ 3.5 million TCA + US\$ 0.5 million CCE
Gavi 6.0	US\$ 1.488 billion (HSS, EAF, CCE, Technical Assistance - TA)	<i>TBD</i>	<i>TBD</i>

* 4.0: Final HSS disbursement amount = US\$ 1.43 billion

** 5.0/5.1: Includes ~US\$ 1.2 billion HSS + ~US\$ 0.5 billion EAF + ~US\$ 0.2 billion CCEOP + ~US\$ 0.2 billion for India and ITU

Funding **floors** and **caps**¹ were in place in Gavi 4.0, however, **caps** were removed in Gavi 5.0, reflecting the period's higher overall funding availability and the strategic focus on the zero-dose agenda, which appropriately concentrated resources in Gavi's High Impact Country (HIC) segment. Given the more constrained funding envelope for HSS and technical assistance support in Gavi 6.0, the Secretariat has reviewed the retention of a floor and the re-introduction of a cap. This review has been guided by a set of **principles aimed at maintaining equitable allocations, sustainability, and impact** and developed in consultation with the Health Systems Strategy Technical Advisory Group (HSS TAG).

Floors should ensure that smaller countries receive a *meaningful level of funding*—sufficient both to justify applying for support and to cover essential health system

¹ Some countries such as India and Nigeria had caps in practice even before then as part of Board approved special strategies.

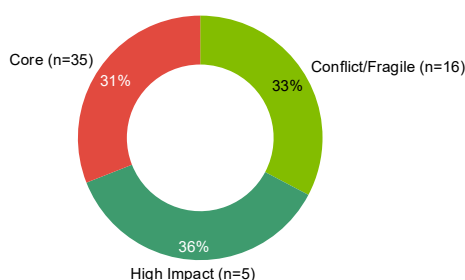
strengthening activities, including the necessary technical assistance. Small countries do not have the economies-of-scale of larger countries and may present higher access costs for some populations (e.g. in small island states or countries with low population density). Furthermore, some costs are not necessarily proportionally smaller (e.g. warehouse) nor can they be proportionally split (e.g. staff).

Caps, meanwhile, aim to ensure an equitable distribution across countries and will be informed by the opportunity for impact as indicated by the outputs of the HSIS formula, balanced against system sustainability considerations. Specifically, caps should consider economies of scale in larger countries and prevent excessively steep reductions in the budgets of non-capped countries that could risk *system collapse*—ensuring countries can at least maintain essential service delivery. Additionally, caps must take into account the *disbursement rates* of countries subject to them, ensuring that allocated funds can be effectively and efficiently utilised while minimising the risks of leaving smaller countries with extremely limited support.

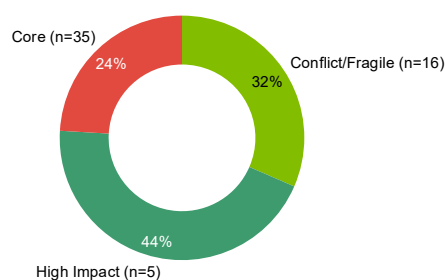
In Gavi 5.0/5.1, floors allowed a relative even distribution across segments (approximately 1/3 each) – see Figure 1. In Gavi 6.0 the estimated distribution of funds per country segment without caps and floors shows HICs being allocated over 40% of the cash envelope and 66% of countries receiving only a quarter of the funds. This uneven distribution along with the significant reduction in funds available for countries in Gavi 6.0 (from US\$ 2.75 billion including TCA in 5.0/5.1 to US\$ 1.48 billion, including technical assistance), means that without a cap and floor, many countries would face a very dramatic reduction in their allocation. Countries in the core segment would be disproportionately impacted by the reductions and thus there was a need to consider reintroducing a cap to ensure this segment received a higher proportion of funding.

Figure 1: Allocations per segment in 5.1* and 6.0 (without caps and floors)

5.1 ceilings w/ floors (HSS, TCA, EAF, ITU, CCEOP) – using 6.0 segments



6.0 ceilings – no caps/floors



*In 5.0/5.1 PNG received additional support (above allocation) through Board approved strategy, while the HIC share was limited as Nigeria was 'capped' by its own Board Strategy.

2. Analysis

The analysis was based on countries with estimated 6.0 allocations below US\$ 3 million and above US\$ 100 million given the Gavi 4.0 and 5.0/5.1 allocations outlined in Table 1. This includes on the lower end most of the Small Island Developing

States (SIDS) and some smaller countries² that are captured in the core segment and on the higher end, HICs³. The estimated 6.0 allocations without caps and floors were compared with their 5.0/5.1 allocations, with countries showing significant drops, for example one country would go from a 5.0/5.1 allocation US\$ 2.25 million to US\$ 80,000 and another from US\$ 7.8 million to US\$ 1.1 million. These changes reflect the potential impact of removing the floor, as well as a 46% decrease in the overall funding available and changes in the allocation formula. An analysis of 5.0/5.1 disbursement rates showed that these countries were able to utilise the level of funding of the different options.

To determine potential options for floors and caps to include in the analysis, the Secretariat considered the principles and historical levels of caps and floors outlined in section 1, inputs from technical consultations, as well as for:

- Floors, the fact that technical assistance support⁴ would be consolidated within the cash envelope provided to countries and allocated using the HSIS formula
- Caps, a review of the disbursement rates for HICs and an overview of potential impact on allocations to core countries who are expected to experience biggest proportional cuts to Gavi support.

With these considerations in mind, different levels of floors (US\$ 4 million, US\$ 5 million and US\$ 6 million) and caps (US\$ 100 million, US\$ 120 million and US\$ 130 million) were modelled.⁵

As compared to imposing no floors or caps in 6.0, any level or floor and any level of cap imposed will lead to increased support for Conflict/Fragile and Core countries but decreased support for HIC. As illustrated in Figure 2 (left-hand side graph), the relative impact of the different floor options on the average US\$ allocations for countries across segments is inconsequential. On the other hand, as illustrated by the right-hand side graph, increasing caps will benefit HIC by increasing their average US\$ allocations by up to US\$ 23 million, mostly at the expense of up to US\$ 4 million for the average Conflict/Fragile countries' allocations.

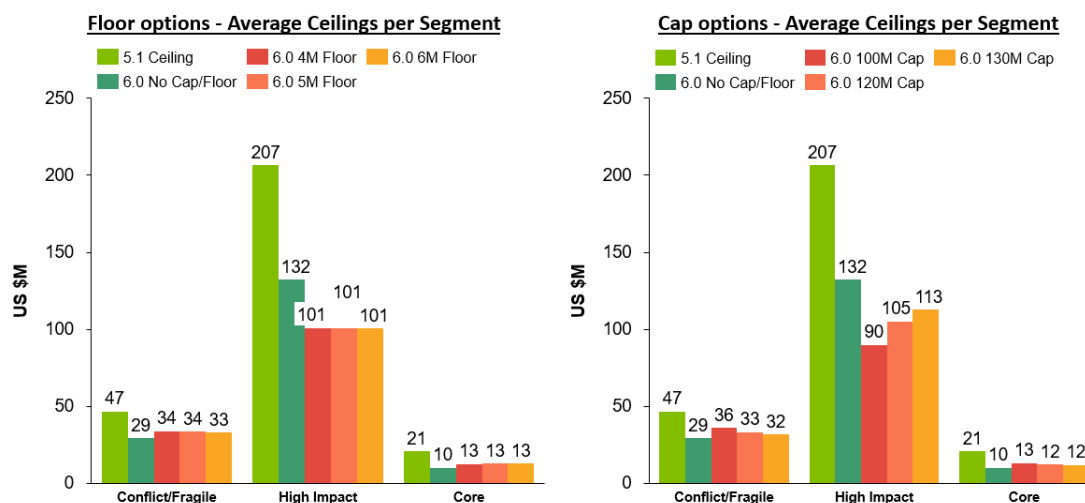
² Comoros, Djibouti, Eritrea, Gambia, Kyrgyzstan Republic, Lesotho, Sao Tome and Principe, Solomon Islands, Timor-Leste (East Timor).

³ Nigeria, Pakistan, Democratic Republic of Congo, Ethiopia, Pakistan.

⁴ The minimum amount of technical assistance required by a country was estimated to be US\$ 1.5 million per strategic period. Some of these costs relate to staff which cannot always be proportionally reduced.

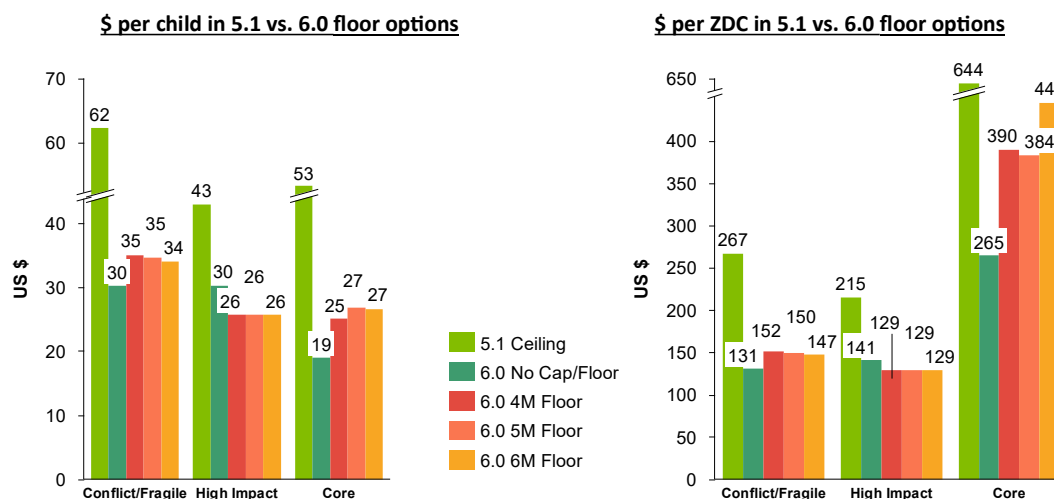
⁵ The options impacted different countries depending on the threshold. For the purposes of the analysis, the countries on which the floor and cap options were modelled were standardised to those whose 6.0 no floor or cap allocations fell below US\$ 3 million (for floors) or above US\$ 100 million (for caps). A constant cap or floor threshold was maintained when modelling the different floor and cap options, respectively.

Figure 2: Impact of different floor and cap options on average allocations (US\$ million) per segment as compared to 5.1 and 6.0 no floor/cap scenario



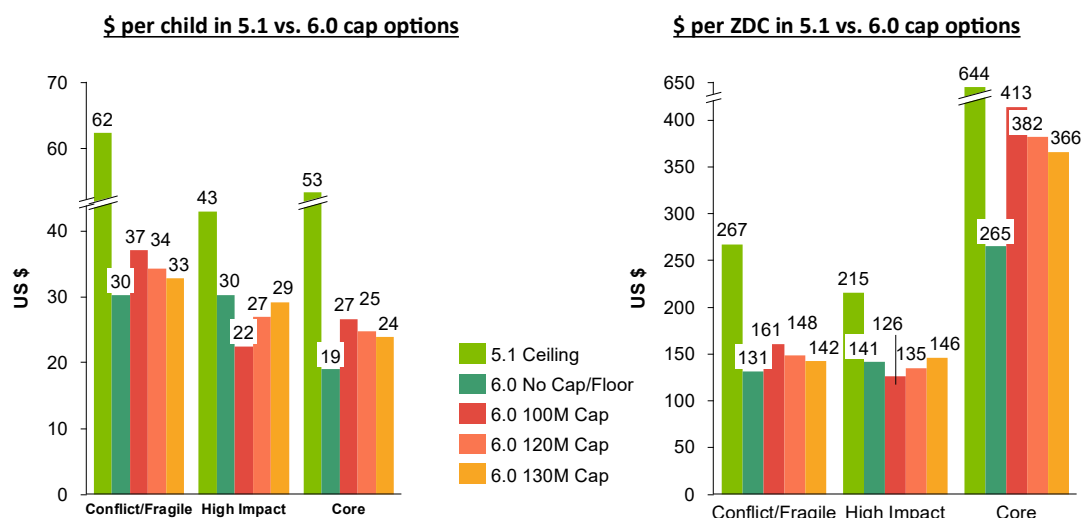
To compare across options, the average 6.0 allocations and median 6.0 US\$ per child and US\$ per zero-dose child (ZDC) were mapped against the respective 5.1 values and 6.0 values with no cap or floor. Figures 3 and 4 illustrate the comparative US\$ per child and US\$ per zero dose child (ZDC) medians for the floors and caps options, respectively. Medians have been used to adjust the skew to higher values from SIDS.

Figure 3: Floor options – Median US\$ per child and US\$ per ZDC for different floor options per segment as compared to 5.1 and 6.0 no floor/cap scenario



Compared to no floors or caps in 6.0, floors will lead to increased support for Conflict/Fragile and Core countries, but lower for HIC. The change is marginal with respect to the US\$ per child support across segments, but varies depending on the level of the floor for the US\$ per ZDC support. On the latter, Core countries are set to benefit substantially by more than a US\$ 100 increase after the application of floors, mainly driven by the fact that SIDS and countries with floors are part of this segment and many have very small populations.

Figure 4: Cap options – Median US\$ per child and US\$ per ZDC for different cap options per segment as compared to 5.1 and 6.0 no floor/cap scenario



Compared to no floors or caps in 6.0, caps will lead to increased support for Conflict/Fragile and Core countries, but lower for HIC. With increasing level of cap options, support increases for HIC but decreases for Conflict/Fragile and Core countries. In terms of US\$ per child support, Conflict/Fragile and Core countries could see increased support with decreasing caps, compared to the 6.0 no floor or cap scenario, respectively, while HIC would lose with increasing caps. The same trend is observed in terms of US\$ per ZDC, with Conflict/Fragile and Core countries seeing increased support compared to the no floor or cap scenario.

Nigeria would be the country most impacted by a cap in Gavi 6.0. However, it would not face as large a reduction in support as many other countries since its funding in Gavi 5.0 was defined by the Board-approved special strategy with a total comparable allocation of US\$ 151 million (US\$ 126 million for 5.0 plus US\$ 25 million for technical assistance). As such, it is likely to see a smaller decline in support than most other countries whose allocations will reduce by over 40% on average. Other countries subject to caps across the three scenarios—the Democratic Republic of Congo, Ethiopia, and Pakistan—would experience more substantial decreases in cash support relative to the 5.0 period (~45%). However, these reductions primarily reflect the reduced level of HSS and technical assistance funding in Gavi 6.0 applied to the outputs of the HSIS formula itself rather than the application of the caps.

3. Recommendation

Considering the constrained financial envelopes for Gavi 6.0, the Secretariat recommends **retaining a floor and reintroducing a cap** for funds allocated through the HSIS formula. The analysis points towards the mid-point for each: floor of US\$ 5 million and cap of US\$ 120 million, primarily on the grounds of maximising support for countries benefitting from the floors and caps while minimising the drop in support for other countries, in line with the principles of maintaining equitable allocations, sustainability, and impact. Figure 5 compares the median US\$ per child

and US\$ per ZDC for the recommended cap and floor to Gavi 5.1 allocations and the Gavi 6.0 no cap and floor scenario, showing that allocations for Conflict/Fragile and Core countries show some protection. Figure 6 illustrates the impact of the recommended floor and cap combination on country allocations across segments. Furthermore, these recommended options are aligned with historical levels of caps and floors outlined in Table 1 considering the relative amount of funding available in this period, and countries have demonstrated the capacity to utilise this level of funding, as demonstrated by an analysis of cash disbursements and utilisation in Gavi 5.0.

Figure 5: Recommendation – Median US\$ per child and US\$ per ZDC for recommended cap (US\$ 120 million) and floor (US \$5 million) as compared to Gavi 5.1 allocations and Gavi 6.0 no cap and floor scenario

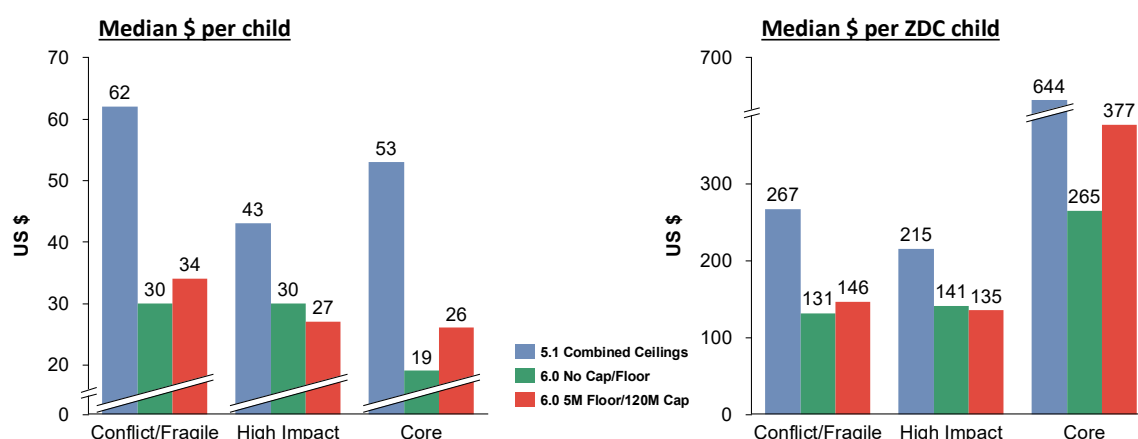


Figure 6: Sum of Gavi 5.1 allocations vs. Gavi 6.0 with recommended cap (US\$ 120 million) and floor (US\$ 5 million) across segments

