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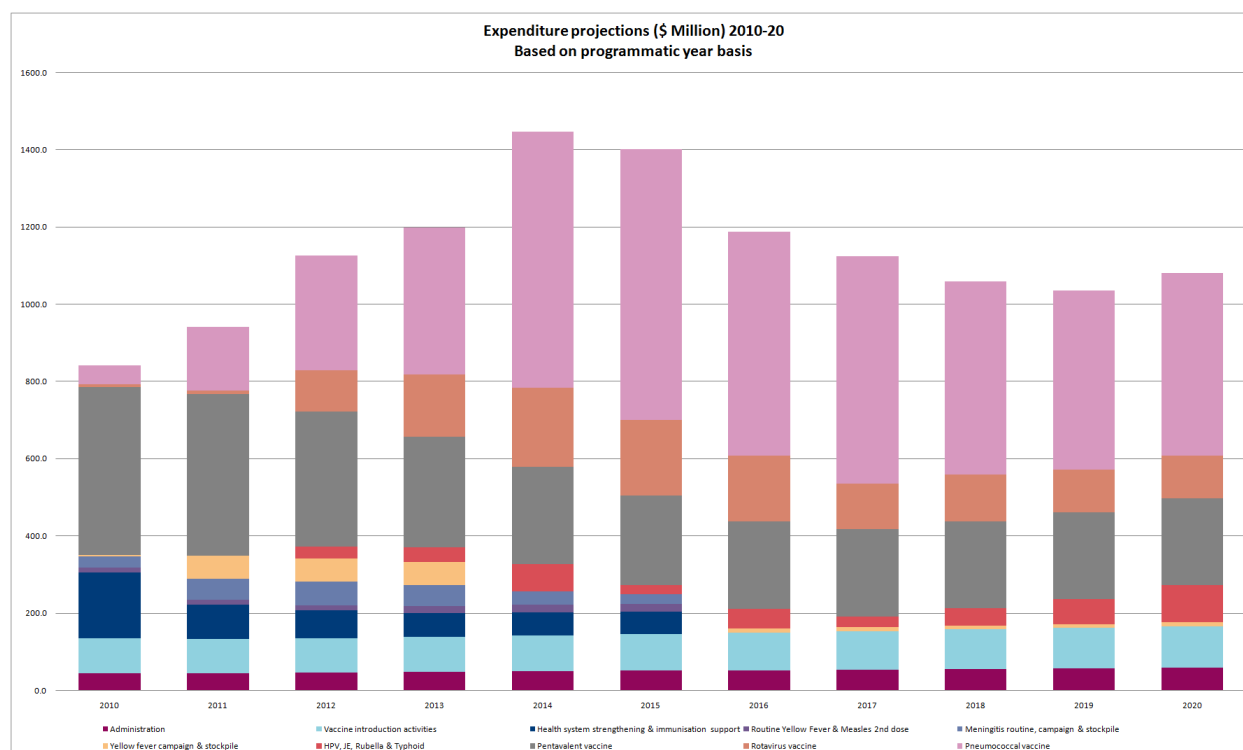
- An overview of GAVI's financing needs for the period 2010-20
- A summary of the GAVI Alliance's 2009 draft consolidated financial statements

Financial Outlook

Financing needs through 2020

An overview of financing needs through 2020 indicates a levelling-off of country demand at approximately US\$1.1 billion per year in the years from 2016. This reflects the graduation of previously eligible countries, pentavalent price reductions and the reduction of pneumococcal prices towards the AMC 'tail price' (see table below).

If more aggressive assumptions of price reductions and co-financing are factored in, the demand would reduce to a level of approximately US\$0.8 billion per year towards 2020 (see page 5).



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2010-2015

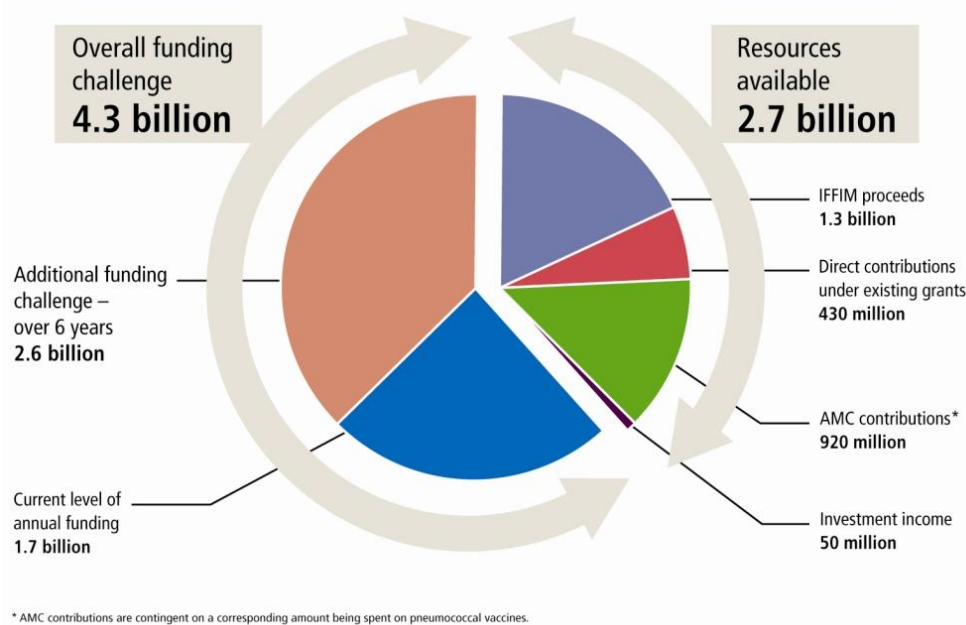
The demand projected for 2010-2015 has been described in detail the Financing Country Demand considered at the High-Level Meeting in The Hague in March 2010.

The estimates presented remain valid and indicate a cash inflow requirement of US\$7 billion for the six years. Of this overall need, \$2.7 billion is already secured, while a further \$1.7 billion could be met with the current level of direct contributions. These amounts would be sufficient to finance current programmes and their extensions but would not be sufficient to advance the programmatic agenda. To do that and fully respond to projected demand, additional contributions of US\$2.6 billion would be required over the six years: US\$0.3 billion in 2012 and US\$2.3 billion in 2013-2015.

In order to provide predictability of funding to countries, and to have assurance of resource availability when considering multi-year programmes for support, visibility of the contributions is required some years prior to when the cash is needed. Hence, programmatic activity will be significantly hindered should this funding come in the form of ad hoc contributions rather than as more predictable long-term funding. Subject to decisions regarding funding policy, additional pledges may be required before any new programmes can be approved in 2010.

These estimates will be updated following the donor meeting planned for October 2010.

2010 – 2015 Financing requirements (US\$)



See Annex1 for details of cash flows by year

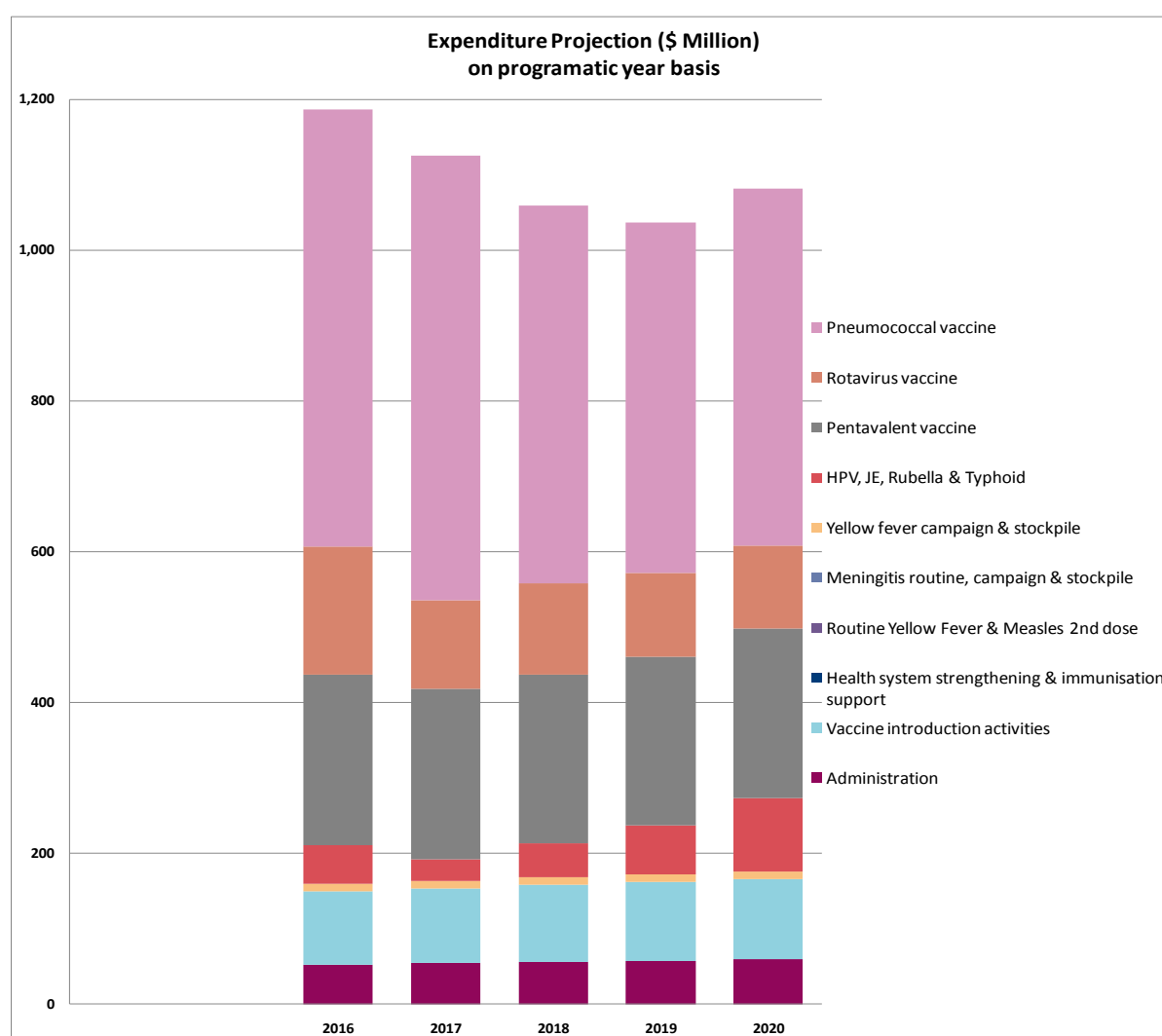
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2016-2020

2016-2020 demand projections

The Secretariat, extrapolating from the strategic demand supply forecasts issued in January 2010, has made preliminary estimates of GAVI's expenditure post 2015, as summarised in the chart below. On that basis, commitments for the period 2016-20 are projected to be an average of US\$1.1 billion per year. This should be regarded as a very preliminary estimate, for indicative purposes only.

A scenario that models more aggressive assumptions of vaccine price reductions and increased co-financing is outlined on page 5.



Note: Cash-based programmes have not been projected for 2016-2020 pending Board decisions regarding the allocation of funding for Health Systems Strengthening programmes. The corresponding amount averaged US\$ 84 million per year for 2010-2015.

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2016-2020 financing requirement

The demand projected for 2016-2020, the inflows conservatively expected and the estimated additional contributions needed are summarised below:

Cash Needed to Meet Projected Demand

US\$ millions	2010-15	2016	2017	2018	2019	2020	2016-20
Total Cash Outflows	7,364	1,187	1,125	1,059	1,036	1,081	5,488
less: Cash reserve draw down	-392						
Cash Inflows Needed (a)	6,972	1,187	1,125	1,059	1,036	1,081	5,488
Cash Inflows, prior to additional contributions							
Direct contributions (at current overall level)	2,100	350	350	350	350	350	1,750
IFFIm proceeds through GFA	1,271	66	86	101	79	103	435
AMC monies	920	159	158	64	0	0	381
Investment Income	51	0	0	0	0	0	0
Total Cash Inflows, prior to additional contributions (b)	4,342	575	595	515	429	453	2,566
Additional Contributions Required (c=b-a)	2,630	612	530	544	608	629	2,922

Notes

Assumed that "Cash outflow" value is equal to "Expenditure" level for years 2016 and beyond.

"Direct contributions" assume that the current overall (based on 2007-2009 average) level is maintained

"IFFIm proceeds through GFA" values were provided by the World Bank in February 2010

"AMC monies" are contingent on an equivalent amount being spent on pneumococcal vaccines

The "Additional Contributions Required" of US\$2.9 billion for the five years, or US\$580 million per year, represents the amount of further contributions required beyond the current level of direct contributions (US\$350 million per year) and expected inflows of IFFIm proceeds and the drawdown of AMC contributions.

IFFIm impact

It should be noted that in the absence of additional new IFFIm pledges, IFFIm moves into a re-financing phase. As such, whilst it is estimated that US\$435 million¹ of IFFIm proceeds will be available to support programmatic needs through the period 2016-2020, donors will be contributing an estimated US\$1.7 billion into IFFIm in fulfilment of existing pledges. Further details of the IFFIm donor pledges are provided in Annex 2.

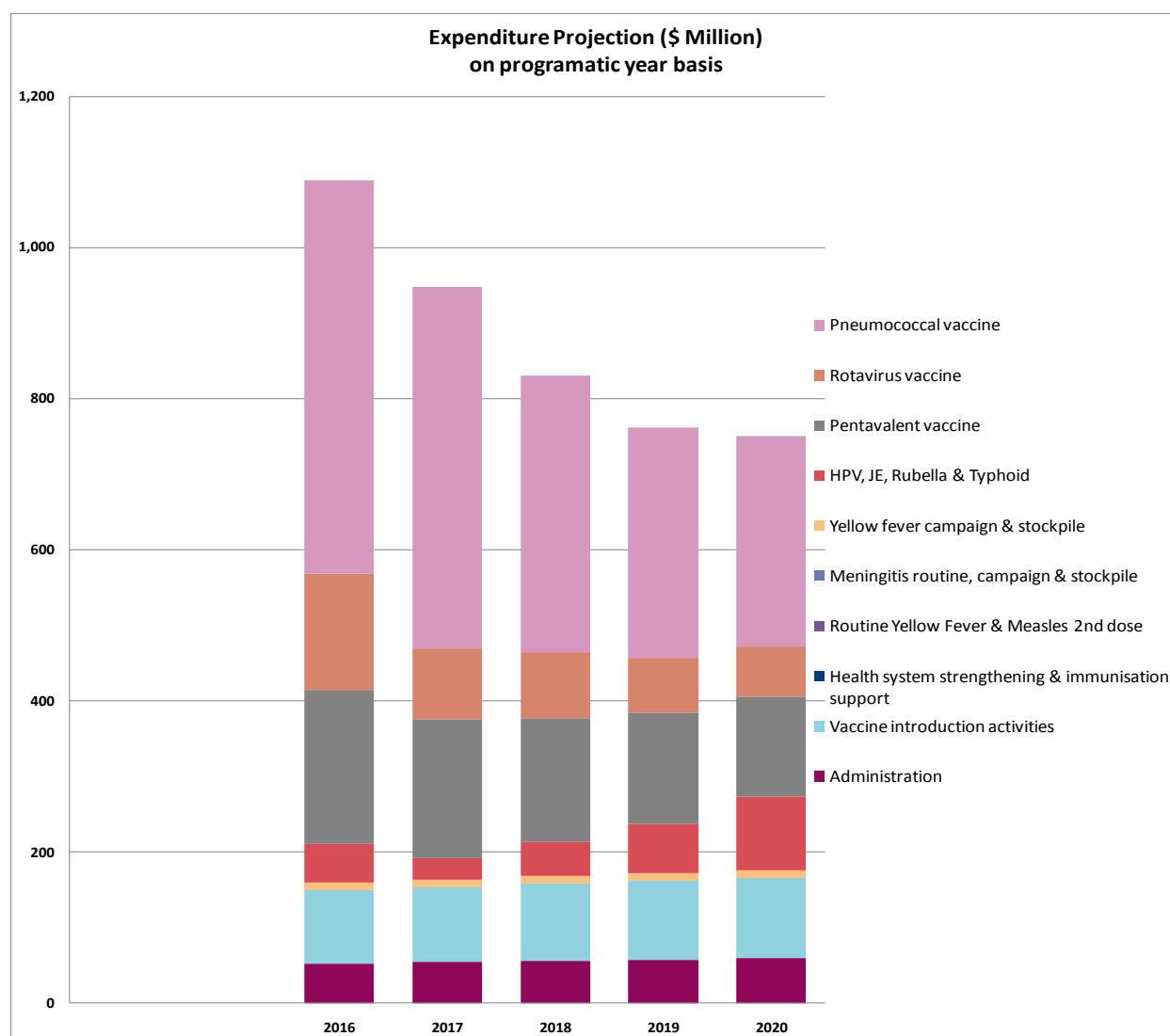
¹ Excluded are IFFIm monies linked specifically to the HSS Joint Platform.

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2016-2020 – Aggressive Scenario

For comparison some preliminary work is presented below showing potential impacts of reductions in vaccine prices and the impact of co-financing changes. This is still at a preliminary stage and the secretariat will come back to the board with further work in this area. If it was assumed that further vaccine price reductions and increased co-financing were to have the effect of further reducing vaccine unit costs to GAVI by 10% year-on-year from 2016 through 2020, projected commitments would decline towards US\$0.7 to 0.8 billion per year.

2016-2020 demand projections - Aggressive Scenario



FOR INFORMATION*2016-2020 financing requirement - Aggressive Scenario*

The assumption of further vaccine price reductions and increased co-financing would reduce the amount of additional contributions required in 2016-2020 from US\$2.9 billion to US\$1.8 billion for the five years, or from US\$580 million to US\$360 million per year.

Cash Needed to Meet Projected Demand

US\$ millions	2010-15	2016	2017	2018	2019	2020	2016-20
Total Cash Outflows	7,364	1,089	948	830	761	750	4,378
less: Cash reserve draw down	-392						
Cash Inflows Needed (a)	6,972	1,089	948	830	761	750	4,378
Cash Inflows, prior to additional contributions							
Direct contributions (at current overall level)	2,100	350	350	350	350	350	1,750
IFFIm proceeds through GFA	1,271	66	86	101	79	103	435
AMC monies	920	159	158	64	0	0	381
Investment Income	51	0	0	0	0	0	0
Total Cash Inflows, prior to additional contributions (b)	4,342	575	595	515	429	453	2,566
Additional Contributions Required (c=b-a)	2,630	514	353	315	333	298	1,812

Notes

Assumed that "Cash outflow" value is equal to "Expenditure" level for years 2016 and beyond.

"Direct contributions" assume that the current overall (based on 2007-2009 average) level is maintained

"IFFIm proceeds through GFA" values were provided by the World Bank in February 2010

"AMC monies" are contingent on an equivalent amount being spent on pneumococcal vaccines

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GAVI Alliance Draft 2009 Consolidated Financial Statements

The Finance Team has completed preparation of the abridged GAVI Alliance consolidated statements of financial position and financial activities for the year ended 31 December 2009 as shown in the two tables below. These statements are currently unaudited draft, pending completion audits by KPMG of the financial statements of the GAVI Alliance, the International Finance Facility for Immunisation (“IFFIm”) and the GAVI Fund Affiliate (“GFA”).

Of note, the GFA and IFFIm novation, which occurred in December 2009, resulted in a change in reporting entity. GFA and IFFIm were previous consolidated into the GAVI Fund but, going forward, they shall be consolidated into the GAVI Alliance. The 31 December 2009 consolidated financial statements represent the first set of consolidated statements for the new GAVI Alliance reporting entity.

GAVI Alliance – Draft Statement of Financial Position as at 31st December 2009

All figures in US\$ Million

Financial Position	Dec-09	Dec-08	YoY	YoY%
Cash	7	336	(330)	-98%
Investments	2,363	1,251	1,113	89%
Contributions receivable	4,351	3,264	1,087	33%
Other assets	71	122	(50)	-41%
Total assets	6,793	4,973	1,820	37%
Programme grants payable	848	1,169	(321)	-27%
Bonds payable	2,609	1,267	1,342	106%
Other liabilities	12	315	(303)	-96%
Total liabilities	3,469	2,750	718	26%
Unrestricted net assets	403	18	384	2097%
Restricted net assets	2,921	2,204	717	33%
Total net assets	3,324	2,223	1,101	50%

FOR INFORMATION**GAVI Alliance – Draft Statement of Financing Activities for 2009**

All figures in US\$ Million

Financial Activities	Dec-09	Dec-08	YoY	YoY%
Contribution revenue	1,262	689	573	83%
Interest and investment income	40	(39)	79	-204%
Other income	1,141	1	1,141	
Total income	2,444	651	1,793	275%
	-	-	-	
Programme expenses	643	1,030	(387)	-38%
Financing costs	333	74	259	351%
Other expenses	52	79	(27)	-34%
Total expenses	1,027	1,182	(155)	-13%
	-	-	-	
Fair value gains (losses)	243	(266)	509	-191%
Change in net assets	1,659	(798)	1,439	-180%
	-	-	-	
Net assets as of the beginning of the period	1,665	3,021	(1,356)	-45%
Net assets as of the end of the period	3,324	2,223	83	4%

General Remarks

As a result of the change in reporting entity that occurred in December 2009, consolidated financial statements are now prepared for GA, GFA and IFFIm. The GAVI Campaign (“GC”) is no longer consolidated. Therefore, the December 2008 balances presented in this review include GC balances while the December 2009 balances exclude GC balances. However, for the purposes of this review, the December 2008 balances still provide reasonable comparatives because majority of GC's operations, assets and liabilities were transferred to GA during 2009.

Details of significant balances and fluctuations are included in Annex 3.

ANNEX 1

Cash Flow by Year 2010-2015

<i>Cash Flow by Year</i>								
	in US\$ millions	2010	2011	2012	2013	2014	2015	Total
Cash outflows								
Approved & Endorsed								
- Programmes		940	464	207	125	103	74	1,913
- Work plan, procurement fees & admin.		124	132	132	139	142	146	816
		1,064	596	340	264	245	220	2,729
Expected - Extensions / Renewals of Programmes		48	220	328	317	292	212	1,418
Expected - New Programmes (balance of demand)		(19)	192	479	695	839	1,031	3,217
Procurement Fees (appr/endorsed)		14	9	6	9	9	9	56
Work Plan (appr/endorsed)		66	78	80	82	84	86	476
Administration (appr/endorsed)		44	45	47	48	49	51	284
A Total cash outflows		1,093	1,009	1,147	1,276	1,376	1,463	7,364
								\$7.4 bn
Cash inflows - assured								
Direct contributions under multi-year grants		113	80	88	75	75	0	430
IFFIm proceeds through GFA		600	370	73	56	78	94	1,271
AMC contributions		25	85	151	170	232	258	920
Investment Income		26	25	0	0	0	0	51
Total assured inflows		764	559	312	301	385	352	2,672
								\$2.7 bn
Additional inflows to meet the funding challenge								
1 Direct contributions to maintain current level		237	270	262	275	275	350	1,670
2 Further contributions required				303	767	774	786	2,630
Total additional inflows		237	270	565	1,042	1,049	1,136	4,299
								\$4.3 bn
B Total cash inflows		1,001	830	877	1,343	1,434	1,488	6,972
								\$7.0 bn
C (=A-B) Net Cash Inflows / (Outflows)		(92)	(179)	(270)	67	58	25	(392)
D Cash & Investments - Opening Balance		1,392	1,300	1,121	851	917	975	1,392
E (=C+D) Cash & Investments - Closing Balance		1,300	1,121	851	917	975	1,000	1,000
								\$1.0 bn

ANNEX 2**IFFIm pledges 2006-2026****IFFIm - outstanding pledges from donors,
in original currencies, NOT discounted for HLFC**

All figures in millions

Donor Name	2006-15	2016-20	2020-26	Total
France (EUR)	420	365	455	1,240
Italy (EUR)	215	129	129	473
Norway (USD)	27	-	-	27
South Africa (USD)	9	5	6	20
Spain (EUR)	95	47	47	190
Sweden (SEK)	166	92	18	276
UK (GBP)	382	492	506	1,380
Netherlands (EUR)	66	14	-	80

in USD, NOT discounted for HLFC in USD at date of grant signing

Donor Name	2006-15	2016-20	2020-26	Total
France	582	506	631	1,720
Italy	273	164	164	601
Norway	27	-	-	27
South Africa	9	5	6	20
Spain	120	60	60	240
Sweden	23	13	3	38
UK	716	922	947	2,584
Netherlands	94	20	-	114
Total	1,844	1,689	1,810	5,344

“HLFC” = High Level Financing commitment

ANNEX 3**Commentary on Significant Balances and Fluctuations**

in US\$ millions

Cash

	Dec 09	Dec 08	YoY	YoY%
Cash	7	336	(330)	(98%)

As of December 2009, GA had not opened procurement bank accounts and was, therefore, still utilising GC's accounts to procure vaccines through UNICEF. This fact accounts for the Year on Year ("YoY") decrease in cash. The Secretariat expects that, once GA opens its own procurement bank accounts, its cash balance will increase to a level more in line with the December 2008 balance.

Investments

	Dec 09	Dec 08	YoY	YoY%
Investments	2,363	1,251	1,113	89%

IFFIm issued US\$ 1.4 billion in bonds during 2009. The majority of the proceeds from these issuances were invested in a pool of funds managed by IBRD, pending use of the funds for GA programmes. These additional funds were the primary reason for the YoY increase in investments.

Contributions receivable

	Dec 09	Dec 08	YoY	YoY%
Contributions receivable	4,351,413	3,264,340	1,087,073	33%

The YoY increase in contributions receivable is primarily due to pledges received from AMC donors. In June 2009, B&MGF and several sovereign government signed agreements pledging a total of US\$ 1.5 billion for GA's pneumococcal AMC. The fair value of these pledges as of December 2009 was US\$ 1.1 billion.

Contributions receivable also include an EUR 80 million pledge received by IFFIm from the Netherlands when it became IFFIm's eighth sovereign government donor in December 2009. The fair of this pledge as of December 2009 was US\$ 87 million."

Programme grants payable

	Dec 09	Dec 08	YoY	YoY%
Programme grants payable	847,633	1,168,731	(321,099)	(27%)

During 2009, and as part of GA's overall strategy for managing its finances, the Secretariat adopted a policy of only presenting programmes for each current and immediately subsequent year to the board for approval. Previously, the Secretariat would present programmes for several years at time for board approval.

Since programme grants payable are recorded as a liability upon board approval, the abovementioned new policy resulted in a YoY decrease in the balance, despite increased demand for vaccines during 2009.