

Subject:	Long-term funding strategy
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Agenda item:	18
Category:	For Guidance/Discussion
Strategic goal:	SG3 - Financing

Section A: Overview

1. Purpose of the report

- 1.1 The following initial directions for GAVI's long-term funding model and strategy are submitted to the GAVI Board for discussion and feedback. A long-term funding strategy will be presented to the Board in December 2012 for decision.

2. Recommendations

- 2.1 The Board is asked to discuss the key elements and provide guidance to the Secretariat on (i) the long-term funding model and capital structure, (ii) burden-sharing directions, and (iii) diversification strategy.

3 Executive summary

- 3.1 This paper identifies the key priorities of the long-term funding strategy and presents a roadmap for the replenishment process while building on lessons learned from the first replenishment.
- 3.2 The Secretariat proposes that GAVI's long-term funding strategy focus on the following three priorities:
- (a) Building a long-term funding model that will support a mix of funding mechanisms that can deliver the predictable and efficient funding required to meet GAVI's resource needs.
 - (b) Moving toward sustainable burden-sharing with a diversified donor base complemented by firm co-financing commitments from countries and active market-shaping.
 - (c) Supporting more predictable replenishment through a four-phase consensus-building process.
- 3.3 The Board's view and guidance is requested regarding:

- (a) The appropriate balance between short-term and longer term instruments;
- (b) The sustainable level of burden share; and
- (c) The diversification strategy.

4 Next steps

- 4.1 Extensive consultations and further work will inform the development of a long-term funding strategy for review and decision by the GAVI Board at the December 2012 Board meeting.

5 Conclusions

- 5.1 Not applicable

Section B: Implications

6 Impact on countries

- 6.1 The imperative to secure predictable and sustainable funding has been established formally as a strategic priority for GAVI¹. It is central to countries' decisions to roll out new vaccines, and it strengthens the organisation's ability to shape markets and deliver vaccines to countries at sustainable prices.

7 Impact on the Business Plan / Budget / Programme Financing

- 7.1 The impact on the budget will be addressed in the context of the 2013-2014 business plan process.

8 Risk implications and mitigations

- 8.1 Not yet applicable; will be addressed in December Board paper

9 Legal implications

- 9.1 Not yet applicable; will be addressed in December Board paper

10 Consultation

- 10.1 see 4.1 above.

11 Gender equality implications

- 11.1 Not yet applicable; will be addressed in December Board paper.

¹ SG 3 – Increase the predictability of global financing and improve the sustainability of national financing for immunisation

12 Implications for the Secretariat

12.1 Not yet applicable; will be addressed in December Board paper

Section C: Context

13 Background and objectives

- 13.1 The long-term strategic options considered at the April 2012 Board retreat provides a backdrop for building a long-term funding strategy – in particular by looking at the diversity, predictability and efficiency of funding that GAVI needs.
- 13.2 In December 2012, the long-term funding strategy will be presented to the GAVI Board. In keeping with the “three legged-stool approach”², a key priority of the strategy will be to increase GAVI’s focus on long-term sustainability, ensuring that contributions from a broadened donor base are complemented by firm and growing co-financing from countries and more active market-shaping. In particular, issues for consideration are expected to include:
- (a) Replenishment format, structure and timing.
 - (b) Mix of instruments that would optimally meet GAVI’s programmatic needs.
 - (c) Opportunities for supply-side interventions to reduce the funding requirement.
 - (d) Availability of diversified funding sources.
 - (e) New options to possibly support non GAVI-eligible lower middle income countries (LMICs).
 - (f) Advocacy and communications approaches to enhance political support.

14 Progress to date and challenges

Economic context

- 14.1 The 13 June pledging conference took place in an economic context characterised by the global financial crisis and its significant impact on the health donor community. The effort to deliver on and extend these pledges is complicated by prolonged fiscal challenges in Europe and North America.

² GAVI resource mobilisation process rests on a collaborative process with three main pillars (i).reaching out to current and new public and private donors with a diversified portfolio of instruments (direct contributions and innovative finance); (ii)increasing ownership of implementing countries through co-financing; and (iii) influencing market shaping through new market entrants and price reductions in vaccine manufacturing.

- 14.2 In spite of this, GAVI was able to convert 81% of 2011-15 pledges into signed agreements as of February 2012. The remainder are a priority of discussions with donor countries. In order to secure pledges in a challenging fiscal context, GAVI is enhancing its risk mitigation strategies by (i) increased engagement with in-country stakeholders and increased bipartisan support, especially where elections are scheduled and where governments are reducing development budgets and (ii) providing adequate visibility for donors.

Growing the donor base: from the G8 to the G20 and beyond

- 14.3 Expanding the donor base beyond G8 remains a significant challenge. While BRICS countries (Brazil, Russia, India, China and South Africa) wield increasing influence in developing countries, with rising foreign assistance spending, their engagement in health and multilateral aid organisations such as GAVI³ needs to be scaled up and sustained.
- 14.4 Mobilising political will through effective advocacy and communications tailored to the shifting geo-political context is essential to success. The key priorities are: (i) developing a strong cadre of advocates in developing countries, (ii) bringing their voices into the new arenas where global development priorities are being set, (iii) strengthening the evidence base for investment in health, immunisation and GAVI with attention to their importance to broader economic development objectives and new market-oriented approaches to effective development assistance, and (iv) increasing GAVI's visibility and awareness in key new and traditional donor markets, including through social media.

15 The long-term funding strategy

- 15.1 Over the 2016-20 period, GAVI aims to capitalise on its successful first decade and maximise its impact on children's lives. It could help avert 6 million future deaths.
- 15.2 The long-term funding strategy refers to the approach that will be carried out and the actions that will be flexibly deployed to ensure that adequate resources are provided in a timely fashion to GAVI to fund immunisation programmes.
- 15.3 It draws on an assessment of GAVI's first replenishment process, which consolidates perceptions and recommendations for improvement from donors, partners and staff. Interviewed donor representatives found GAVI's first replenishment to be successful in terms of mobilising financial resources, influencing price reductions from vaccine manufacturers, increasing GAVI's brand visibility and building political confidence in GAVI's model of aid.

³ Russia is an AMC donor, South Africa is an IFFIm donor and Brazil has pledged funding to IFFIm

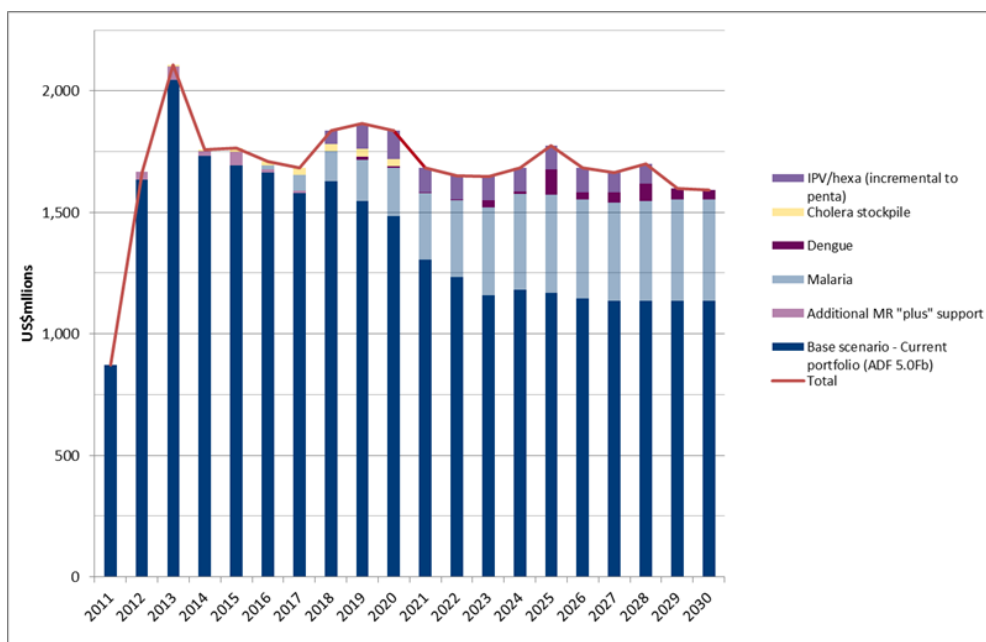
- 15.4 The replenishment did not meet all donors' expectations regarding expansion of the donor base, diversification of financing methods and visibility of co-financing from GAVI countries. Consolidated feedback revealed five factors that drove the success of GAVI's first replenishment: (i) donors' strong commitment to and identification with GAVI's mission, (ii) GAVI's ability to demonstrate compelling evidence in support of its mission and alignment with its strategic plan, (iii) political timing and adaptability, (iv) lobbying at the highest levels of key governments and building public support, and (v) donors' leadership and Secretariat coordination.
- 15.5 Interviewees also reported four major lessons learned from this replenishment: (i) the need for a further developed resource mobilisation strategy and lead time for its development, (ii) the necessity of a clear, functional, operational implementation plan with clarified roles and responsibilities, (iii) enhanced management capacity at the Secretariat, and (iv) enhanced stakeholder engagement. (Details appear in Annex 3)
- 15.6 GAVI's long-term funding strategy will thus focus on the following three priorities:
- (a) Building a model that supports a mix of funding mechanisms that deliver the long-term, predictable and efficient funding GAVI needs.
 - (b) Moving toward sustainable burden-sharing with a diversified donor base complemented by co-financing from countries and more active market-shaping.
 - (c) Supporting more predictable replenishment through a four-phase consensus-building process.

16 The long-term funding model and instruments

- 16.1 Country demand for GAVI support requires continued long-term funding to finance the 2016-30 expenditure horizon, which remains primarily driven by the timing of vaccine introductions, declining birth cohorts and graduating countries. Estimated expenditures for GAVI's current portfolio are an average of US\$ 1.6 billion⁴ a year for the 2016-20 period, reaching a plateau of US\$ 1.2 billion per year by 2022 and beyond. If certain strategic options are pursued, such as rolling out a malaria vaccine, additional funding would be required in the range of US\$ 400 million per year over the period 2016-30.

⁴ Excluding co-financing figures

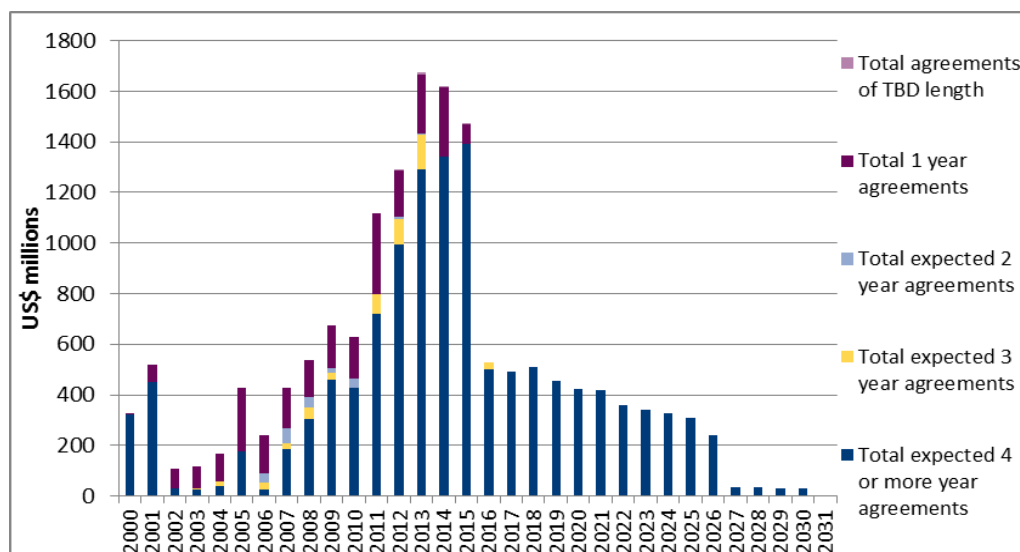
Projected expenditures for 2011-30



More long-term, predictable and flexible funding

- 16.2 Building a long-term funding model requires further extending the maturity of GAVI mechanisms to long-term commitments in order to provide the more predictable and flexible funding needed to incentivise vaccine development and support sustainable immunisation programmes.
- 16.3 GAVI has had success increasing the maturity of donor pledges. Donor agreements of four or more years increased from approximately 60% of donor contributions for the 2000-10 period to more than 80% for 2011-15. This increase has been driven by two factors: (i) donor commitments to IFFIm and the AMC, and (ii) long-term direct agreements from GAVI's three largest donors (UK, Bill & Melinda Gates Foundation and Norway). Notably, innovative finance instruments account for more than 50% of the donor agreements of four years or longer for 2006-15, and for 99.7% of all pledges for 2016-31.
- 16.4 The Secretariat would propose to set an ambition to mobilise a substantial portion of GAVI's total resources through long-term commitments.

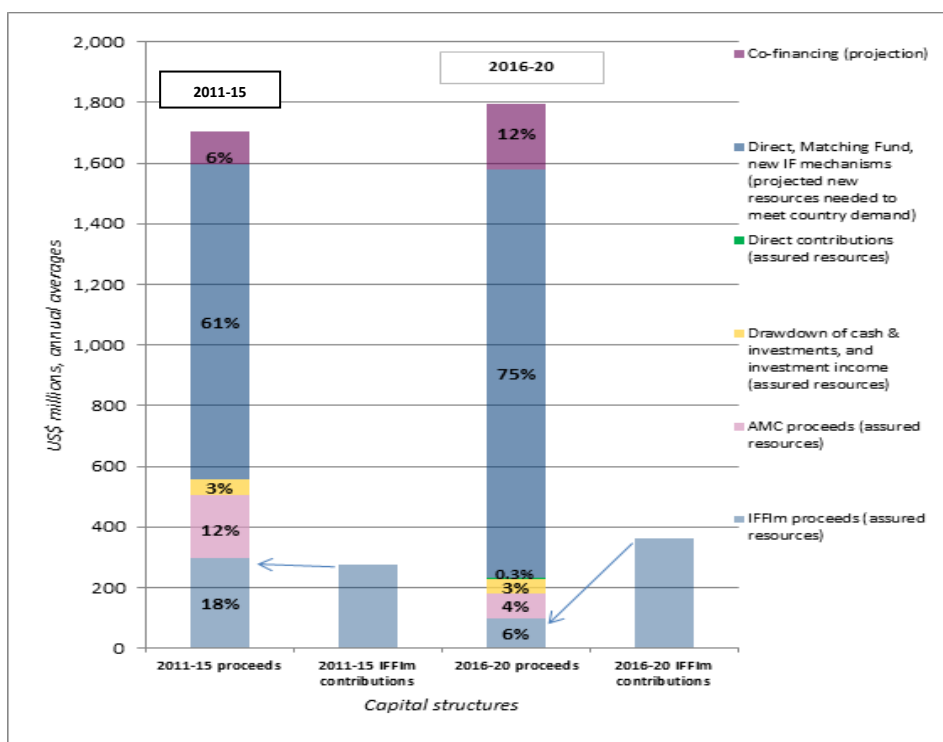
Value of donor agreements by duration



Capital structure

- 16.5 The term capital structure used in this paper refers to the distribution of instruments in GAVI's overall resources; more specifically, it refers to the relative share of each instrument in GAVI's resources.
- 16.6 GAVI's long-term funding strategy should aim for a capital structure that balances the mix of financing instruments to optimise the business model. This diverse capital structure would then also offer existing and new donors some choice of financing instruments that could cater to unique aid priorities, preferences, budgetary situations and national appropriation systems.
- 16.7 GAVI financing also needs to be flexible so that GAVI can respond to changes in country demand and timing for programme implementation. In the long-term funding model, the Secretariat would propose a mix of instruments that are long-term, predictable and flexible. This mix includes long-term direct commitments, existing tools such as IFFIm, financial instruments in support of market-shaping, and new instruments under development.
- 16.8 It is also important to maintain significant innovative financing for GAVI to efficiently manage its balance sheet and its cash flow with flexible funding tools. Innovative finance instruments are part of a toolkit of instruments that may offer long-term, predictable and flexible funding for GAVI. Yet, without further action, the share of long-term innovative finance instruments is currently expected to decrease from 30% in 2011-15 to 10% in 2016-20.

Current capital structure: 2011-15 vs. 2016-20



16.9 IFFIm has helped GAVI nearly double funding to programmes by frontloading donor contributions. By 2015, the existing IFFIm structure will enter a repayment phase when donor contributions exceed IFFIm proceeds to GAVI. This means IFFIm is operating as intended. IFFIm donors' commitment to frontload resources has significantly contributed to the introduction of new and underused vaccines such as pentavalent and has helped focus aid on immunisation.

16.10 IFFIm can, however, offer significant value in GAVI's long-term funding strategy because it provides GAVI with unique benefits. IFFIm's long-term legally binding commitments send a strong signal to the vaccine industry and recipient countries about the predictability of GAVI's programmes. In line with the pentavalent experience, with IFFIm funding GAVI can also quickly mobilise required resources for breakthrough vaccines and accelerate vaccine introduction. And IFFIm funds support GAVI's country-led business model by allowing GAVI to respond with appropriate resources to changes in country demand and timing of implementation.⁵

New instruments

16.11 Introducing new instruments should be pursued actively, though judiciously. Financial instruments in support of market-shaping could be considered

⁵ At a recent IFFIm donors' workshop held in April 2012 with the GAVI Secretariat, the IFFIm Board and the World Bank, IFFIm donors acknowledged these attributes. For more information on IFFIm's potential role in GAVI's long-term funding strategy, including a discussion of how further IFFIm funding would help GAVI deliver results, please see Annex 2.

once the current evaluation of the pilot AMC mechanism is completed, in support of the supply and procurement strategy for a given vaccine.

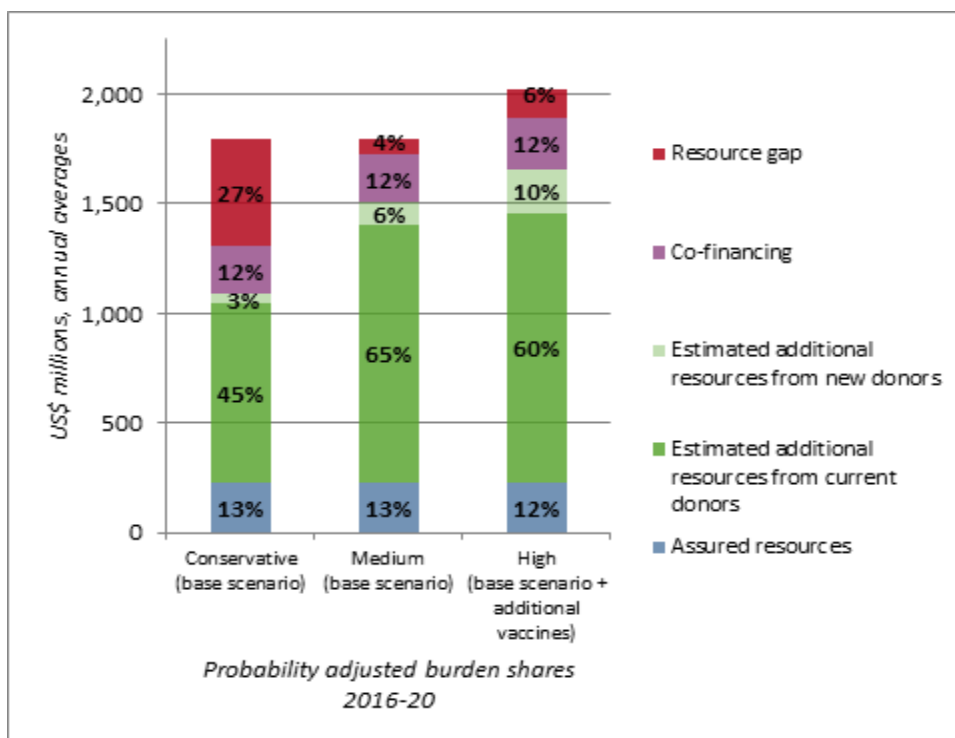
- 16.12 GAVI should continue to pursue innovative uses of its balance sheet to increase purchasing capacity and optimise cash utilisation. For example, if future pledges to GAVI could underpin volume guarantees that yield vaccine price reductions, donors would have an added incentive to sign multi-year agreements that reduce costs and provide predictability of funding.
- 16.13 One way to optimise GAVI's cash reserve is to secure guarantee-like products that could free a corresponding amount of cash for programmes. Such a mechanism was proposed to the Audit & Finance Committee (AFC) last year under a project called the Backstop Facility. Under that proposal, the Backstop Facility would release a one-time amount of US\$ 300 million for use in the period it is implemented. This amount could be increased to some extent, although it is limited by the size of GAVI's balance sheet and therefore not fully scalable.
- 16.14 GAVI also is working on a small pipeline of potential new products, such as partnerships in the asset management industry, and a results-based debt buydown instrument. These are, however, in the early development stage. Any material progress on them by December would be reported to the Board.

17 Toward a sustainable burden sharing with diversified donor base and growing co-financing

- 17.1 The term "burden share" refers here to the proportion of financing that is contributed by various stakeholders: recipient countries, existing and new donors, and vaccine manufacturers.
- 17.2 The second priority of the long-term funding strategy would be to engage a diversified pool of donors and recipient countries, and incentivise active market-shaping, to ensure a sustainable collaborative burden share by stakeholders. The illustrative scenarios below provide an indication of the effort that may be needed from stakeholders. For example, the scenarios point to the continued and stable co-financing share of recipient countries,⁶ while emphasising the need to actively seek resources from current and new public and private donors. In addition, through the implementation of the Supply and Procurement Strategy, GAVI will endeavour to actively influence market shaping. Preliminary guidance from the Board and stakeholders would help determine what could be an acceptable burden share.

⁶ Under the current GAVI co-financing policy

Burden sharing 2016-20



- 17.3 As of February 2012, the current GAVI donor base consists of 28 donors including 19 government donors, the EC, the Bill & Melinda Gates Foundation (BMGF), His Highness Sheikh Mohamed bin Zayed Al Nahyan, six GAVI Matching Fund donors including long-time corporate partner “la Caixa” and other private sector donors. However, the six top donors represent more than 80% of expected contributions, with two donors accounting for 47% of total contributions. Given the current economic context, the related risk to the delivery of some pledges and the need to continue fundraising, a donor diversification strategy might target the objectives described below.

Reducing concentration

- 17.4 The first objective would be to move from a highly concentrated donor base (3) to a critical mass or core group of existing donors (12), taking into account risk mitigation, growth potential and key donors’ priorities. By 2015, with the prospect of increased commitments in the outer years (2013-15) from a subgroup of existing donors, outreach actions will be intensified to secure five “rising star” donors to increase their collective share from 16% to 24%. This would start to rebalance the structure of GAVI’s donor base by reducing concentration on the top six donors to 77% from 82% (and to 45% from 47% for the largest two donors).
- 17.5 A review of donor priorities concluded that there were several key themes and priorities that were crucial to sustain the interest of the 12 largest donors: (i) championing an aid effective business model, (ii) achieving sustainable burden sharing among current donors, G20 potential donors

and GAVI-eligible countries, (iii) a strong country focus with effective, tailored support for vulnerable contexts and fragile states, (iv) stronger focus on immunisation, HSS and/or gender/reproductive health themes (increasingly relevant for the new vaccines rolled out by GAVI, such as HPV and rubella), and (v) attention to health in the post-MDG framework.

- 17.6 Ultimately, the donor base could be broadened to include leading donors with an individual share ranging from 10% to 17%, medium-size donors accounting individually for 4%-6% of resources, and smaller donors representing less than 4% of future pledges, including new donors.

Private sector engagement

- 17.7 The second objective would be to scale up private sector participation. Currently, the private sector (corporations, foundations and individuals), excluding the BMGF, constitutes a small portion of GAVI funding. The primary instrument for private sector outreach is the GAVI Matching Fund. The GAVI Matching Fund has demonstrated early success. Reaching the US\$ 260 million target by 2015 is a challenge that GAVI is committed to reach. The GAVI Matching Fund offers important strategic benefits. It engages new partners, such as corporations and foundations, and individuals through employee or customer engagement. It gives GAVI the opportunity to raise its profile with new audiences and to gain powerful champions, such as corporate CEOs.
- 17.8 Corporate partnerships also offer the potential to access transferable core corporate business skills that can help solve GAVI business challenges. Coca-Cola and Vodafone are both engaged with GAVI in examining how they can bring skills and technology to improve vaccine supply chain management and other aspects of in-country delivery and monitoring.
- 17.9 Through these benefits, the GAVI Matching Fund has demonstrated the potential to become a permanent part of GAVI's long-term funding strategy. The GAVI Matching Fund would require replenishment of similar magnitude (e.g. US\$ 250 million) by donors in the 2016-20 period.

New development partners

- 17.10 An important objective of the donor diversification strategy is to develop a pool of new donors that provide a significant portion of GAVI's future resources. New and emerging market donors often have different interests and ways of supporting development. Their focus may be on expanding South-South or technical cooperation, accessing international vaccine markets for domestic manufacturers, raising their profile in regional markets, obtaining and offering technology transfer, and engaging their private sectors to support development. Encouraging these donors to become champions of immunisation, and participate in GAVI governance will require a new *modus operandi*.

- 17.11 Initial steps to diversify the donor base involve determining priority markets, a wide range of which have been considered. Challenge grants on the order of US\$ 200 million pledged in June 2011 will be used as an incentive to attract a prioritised target list of donor candidates.

18 Revisiting advocacy priorities

- 18.1 GAVI's advocacy strategy seeks to strengthen the political will of decision-makers to support expanded access to immunisation. Learning from the lessons of the June 2011 replenishment campaign, the Secretariat will seek to more meaningfully engage advocacy partners in strategy development. To this end, initial consultations have begun and targeted, deeper consultations are planned for the coming months.
- 18.2 The active engagement of developing country advocates and focused advocacy by and in GAVI countries will be essential to enrol new funding partners strengthen co-financing and demonstrate results. It is vital to ensure that these voices resonate in global forums, and within new and emerging donor markets.
- 18.3 The roll-out of pneumococcal and rotavirus vaccines, together with new measles/rubella and HPV vaccines programmes, represent a significant opportunity to broaden and deepen GAVI's network of advocates and interest groups, in particular among the powerful voices of the cancer and women's health communities. Meanwhile the priority focus on equity will be a strong platform for broader CSO community engagement.
- 18.4 Despite the global economic downturn and constrained development aid budgets, GAVI has been able to demonstrate its value and emerge in recent donor reviews as a preferred choice to drive effective development results. In addition to delivering clear and measurable results, GAVI's market-oriented business model is seen by donors as exemplifying needed new approaches to effective and sustainable aid. Renewed advocacy efforts will build on this recognition.
- 18.5 The rising weight of the G20 and BRICS countries on the global development agenda calls for different strategies in approaching public policy influence. We will work with partners to expand the evidence-based case for investment in health and immunisation through GAVI to include the broader (non-health) beneficial impacts of immunisation, such as in cognitive development, and in community and national economic advancement.
- 18.6 Finally, as the new post-MDG framework is being designed, GAVI partners also need to ensure that recent attention to maternal and child health is sustained and integrated into any new global development goals.

19 Revisiting communication priorities

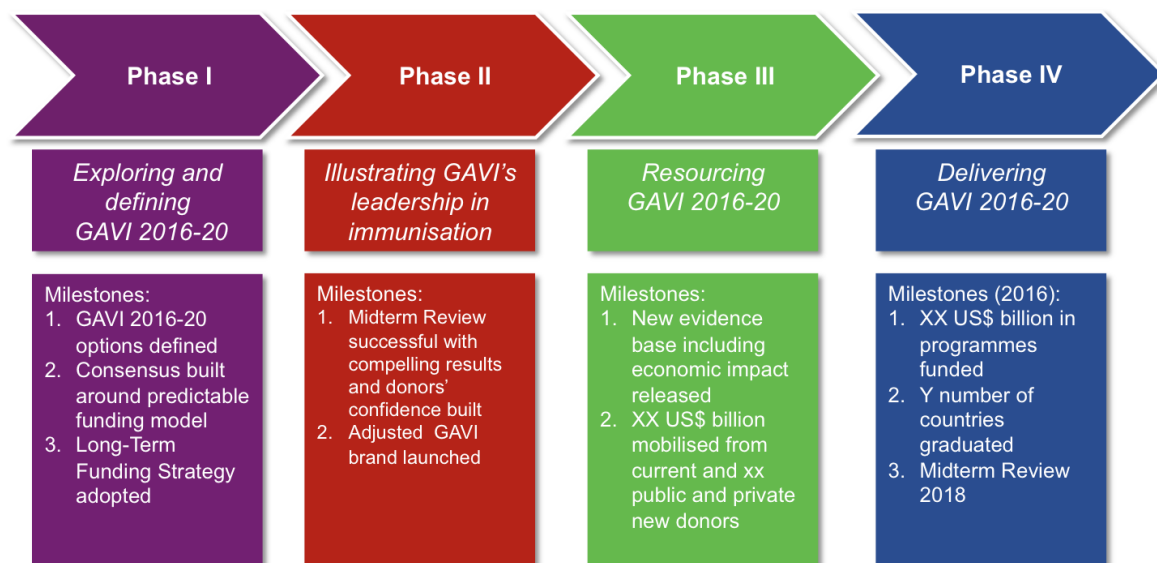
- 19.1 While aligned with the above financing and advocacy priorities, the Secretariat's communications focus must also be placed on demonstrating programmatic results and mitigating reputational risk. The planning work on communications, is therefore, ultimately about calibrating competing priorities and focusing on high leverage projects.
- 19.2 The Alliance has strong awareness and credibility among an elite circle of expert stakeholders and decision-makers, which needs to be expanded in order to build support in GAVI's next resource mobilisation phase.
- 19.3 Preliminary internal analysis and expert consultations⁷ confirm several directions to expand awareness and visibility: (a) increased media support for donors and diversified outreach beyond health and development media; (b) strengthened partnerships with advocacy groups and VIP champions; (c) new campaign-type approaches that empower partners and new allies, and; (d) an increased presence in social media.
- 19.4 New private sector partnerships, especially those that can increase GAVI's visibility in the media or among new audiences, will also be essential for success. The fruitful partnership with the Sport Relief campaign in 2012 is an example of what can be achieved.
- 19.5 With an aim to expand its appeal to new audiences, the Secretariat will undertake an evaluation of the current GAVI brand to determine its value and how it resonates with existing stakeholders and potential new audiences. Based upon these findings and in consultation with Board members, the Secretariat will decide how to adjust the brand and messaging. The Secretariat will explore the potential of private sector partners to support this work.

20 Roadmap to resourcing GAVI 2016-20

- 20.1 To deepen the initial discussions presented above, the Secretariat is in the process of consulting donors and Board members to build consensus for a more predictable funding model and to develop a long-term roadmap for resourcing GAVI's 2016-20 programmes (see Annex 1: Roadmap to Resourcing (2016-20)). This process is currently envisaged to include four consecutive phases: exploring and defining GAVI's 2016-20 resource needs, illustrating GAVI's impact and leadership in immunisation, mobilising the resources needed, and delivering on GAVI's 2016-20 programmatic priorities.

⁷ The next steps in formulating the communication strategy will include consultations with board members, key partner organisations, partner CSOs and VIP champions

Annex 1 Roadmap to resourcing (2016-20)



Annex 2:

The role of IFFIm in GAVI's long-term funding strategy and model

1 The power of IFFIm

- 1.1 IFFIm continues to have significant value in GAVI's long-term funding strategy because it addresses core needs in GAVI's long-term funding model and supports the objectives of donors.
- 1.2 IFFIm provides GAVI with a combination of three powerful benefits: it is (a) long-term, (b) predictable, and (c) flexible.
 - (a) **Long-term:** Donors to IFFIm have found sufficient comfort in the IFFIm structure to make commitments of 20 years or more, a much longer period than typically is found in multi-year donor grant arrangements. Donor governments become long-term stakeholders in IFFIm and GAVI.
 - (b) **Predictable:** IFFIm gives GAVI the comfort of knowing that GAVI can commit to programmes ahead of receipt of traditional grant funding, secure that future funding is guaranteed and can be accelerated when required. The fact that commitments to IFFIm are legally binding is key in this regard.
 - (c) **Flexible:** IFFIm funds give GAVI flexibility to spend resources more efficiently and be responsive to changes required by country programmes. This is because IFFIm can decouple the timing of donor inflows from that of health investments. Direct contributions often are allocated to a prescribed time, whereas GAVI may require more or less funds due to an accelerated or delayed programme. GAVI could choose not to frontload as much and make more funding available in future periods when countries need it more, or it could frontload today if the need is greater. GAVI can choose to fully frontload IFFIm resources over a shorter period of time (acceleration), or opt for a smaller but more consistent drawdown over a longer term while still maintaining the option to frontload where needed (flexibility). An example of the powerful flexible nature of IFFIm funding is shown in the table below. Moreover, about two-thirds of direct contributions to GAVI are received at the end of the calendar year, whereas GAVI has vaccine expenditure obligations throughout the year. IFFIm allows GAVI to match cash inflows with required cash outflows.

Table 1: IFFIm funds can be frontloaded and responsive to changes in programmatic needs⁸

New IFFIm contributions in 2016	Situation	Estimated frontloaded proceeds to GAVI (up to GRL ⁹)	Remaining proceeds
US\$ 1.76bn over 20 years	Gradual introduction	US \$100m per yr for 10 yrs	US\$ 635m total for 10 yrs after
	Accelerated introduction	US \$182m per yr for 5 yrs	US\$ 571m total for 15 yrs after
US\$ 3.52bn over 20 years	Gradual introduction	US \$200m per yr for 10 yrs	US\$ 1.27bn total for 10 yrs after
	Accelerated introduction	US \$365m per yr for 5 yrs	US\$ 1.14bn total for 15 yrs after

1.2 Initial consultations with donors indicate IFFIm supports different donor objectives.

- (a) There is broad donor support for IFFIm as a financing vehicle for GAVI and for the impact IFFIm has on global health via GAVI.
- (b) Donors point to the flexibility of frontloading as IFFIm's most powerful attribute.
- (c) Some donors are attracted to IFFIm because of its contribution to aid effectiveness and predictable development funding.
- (d) IFFIm can accelerate the development of a vaccine market, as seen in the case of the pentavalent vaccine. "It is clear that IFFIm funding changed the pentavalent market size substantially and it is no coincidence that supply dynamics changed alongside ... IFFIm strengthened the signal and gave additional confidence to countries to take up the vaccine and to producers to invest." (Evaluation of IFFIm by HLSP, June 2011.)

2 Hypothetical example: Using IFFIm to support the introduction of a new vaccine against Dengue fever

1.2 As a hypothetical example, should GAVI wish to prioritise a new vaccine against Dengue fever, the availability of funding through IFFIm could be an important factor in reaching that decision and in implementation.

- (a) The long-term and predictable nature of IFFIm funding are unique assets that would be taken into consideration in evaluating whether sufficient resources are available to commit to a new vaccine.
- (b) The long-term and predictable nature of IFFIm funding would help attract vaccine industry interest in a new vaccine against Dengue.

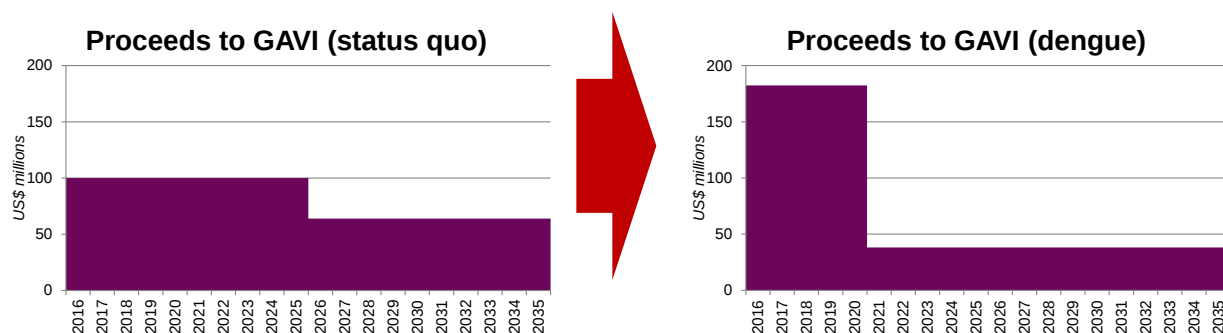
⁸ These assumptions regarding amounts and distribution of proceeds from IFFIm depend on a variety of factors, including the amount of frontloading needed to accelerate programme funding for immunisations, interest costs, the Grant Payment Condition and the Gearing Ratio Limit; this is a simplified model to be used for illustrative purposes only

⁹ Gearing Ratio Limit

Because commitments to IFFIm are legally binding, and provide guaranteed funding, IFFIm could give GAVI greater negotiating power to drive down prices than it would have with less secure funding. IFFIm could also be used to accelerate development of a Dengue vaccine as a form of “pull financing.”

- (c) GAVI could accelerate funding for a Dengue vaccine by frontloading existing IFFIm funds. By shifting IFFIm proceeds forward, GAVI could meet shortfalls in immediate funding without having to raise funds from donors immediately. The decision to frontload IFFIm resources would reduce the amount of funding IFFIm could then provide over the longer term, but IFFIm provides the powerful option for GAVI to make this decision. The figure below illustrates how IFFIm could increase funding upfront to address the ramp-up portion of Dengue vaccine introduction and allow for a smaller routine portion after the initial investment period is complete.

Figure 1: IFFIm proceeds to GAVI can be frontloaded to address a new vaccine introduction (numbers are not real and are purely illustrative)



3 Proposed size of IFFIm in future

- 3.1 For now, the GAVI Secretariat does not recommend any particular proportion for IFFIm in GAVI’s capital structure, but sees it as unlikely that IFFIm should represent a majority of GAVI resources.

4 Next steps with IFFIm donors

- 4.1 Consultations with IFFIm donors have commenced and will continue during 2012 that will help inform the role of IFFIm in GAVI’s long-term funding strategy.

Annex 3: Executive Summary: Assessment of GAVI's first replenishment process 2009-11

1 Introduction

- 1.1 Given the economic climate of 2010-11, the GAVI replenishment process stands out as a success, especially in the arena of global health. The ability to mobilise resources in such a constrained environment illustrates the compelling mission of the organisation and the exceptional identification of donors with that mission. This candid assessment, developed by an independent consultant and the incoming Director of Programme Funding, with input from the GAVI Secretariat, consolidates perceptions and recommendations from donors, partners and staff on how GAVI's replenishment process could be further improved.
- 1.2 The 2011 GAVI replenishment began at the June 2009 GAVI Board meeting, where a plan was laid out, and culminated at the London pledging conference. During this process, donors provided input at the High-Level Meeting on Financing Country Demand in The Hague in March 2010, and some early pledges were made in New York in October 2010 at the GAVI Call for Action & Resources meeting.

2 Key findings

- 2.1 Interviewed donor representatives found GAVI's first replenishment to be successful in terms of mobilising financial resources, influencing price reductions from vaccine manufacturers, increasing GAVI's brand visibility, and building political confidence in GAVI's model of aid. The replenishment did not meet donor expectations regarding expansion of the donor base, diversification of methods of financing, or visibility of co-financing by GAVI countries.
- 1.2 Consolidated feedback from interviewed donors, partners and GAVI staff revealed five factors that drove the success of GAVI's first replenishment.
 - (a) *Donor commitment and identification with GAVI's mission.* GAVI benefited from the historical ownership of key donors who believed in GAVI's mission of "saving children's lives and protecting people's health by increasing access to immunisation in poor countries." The GAVI Secretariat, attempting a large-scale replenishment for the first time, could not have assembled the public support and political peer pressure needed to mobilise US\$ 4.3 billion on its own.
 - (b) *GAVI's ability to demonstrate compelling evidence in support of its mission and to align the resource mobilisation efforts with its 2011-2015 strategic plan.* GAVI was able to answer convincingly the question "why give to GAVI?" The 2010 Evidence Base, the UK Multilateral Assessment Review (MAR), and the Living Proof Project illustrated GAVI's track record of success and convinced donors and advocates of the value of immunisation and GAVI's model of aid. Furthermore, timely alignment on the strategic plan for 2011-15 was essential to donors' engagement.

- (c) *Political timing and adaptability.* While the initial target date of 2010 was not politically viable as budget crises escalated, the timing of the pledging conference coincided with political agendas when donor governments were looking for a cost-effective cause. Furthermore, the GAVI Secretariat was wise to be flexible and donor-centric in its approach, especially as this was their first replenishment.
- (d) *Lobbying governments and building public support.* Lobbying played a central role in the success of the replenishment. Key donors and advocates invested a great amount of political capital to see GAVI succeed. High-level donor-to-donor peer outreach paved the way for new and increased commitments. High-level facilitators and the building of an advocacy network were also instrumental.
- (e) *Leadership and coordination.* Donors took a central leadership role during the replenishment through the High-level Steering Committee and the Ad Hoc Donor Group. The GAVI Secretariat adopted a coordination role. The tangible involvement of donors in GAVI's replenishment ensured a large degree of ownership throughout the process.

2.3 Interviewed donor representatives, partners and GAVI staff also reported four major challenges leading up to the replenishment.

- (a) *Underdeveloped resource mobilisation strategy.* As this was GAVI's first replenishment, there were no precedents on which to build. Tight timing, compounded by economic uncertainty, affected perceptions of feasibility. A review of Board documents reveals a late start to the process – including late staffing of senior positions – and a cycle of discussions with the Board on the strategy that meant the date of the replenishment did not become final until early 2011 (see figure 1).
- (b) *Limited functional operational plan.* The Secretariat did not have a strong and detailed operational plan and lacked adequate capacity, especially in the early phase. Late staffing of key positions and other significant staff challenges not transparent to partners compounded the situation. At times, this led to a sense of mistrust among donors, partners and the Secretariat as they struggled to respond to evolving benchmarks and responsibilities.
- (c) *Transitions in leadership.* Transitions in leadership, and most visibly the departure of the CEO, in the lead-up to the Pledging Conference added additional internal burdens and stressed external relationships.
- (d) *Difficulties in stakeholder engagement.* External stakeholders, including donors, advocacy partners and civil society organisations expected the Secretariat to take more of a leadership role in providing overall direction. With significant capacity challenges, the Secretariat was not always able to meet these expectations, and external relationships were stressed until the December 2010 GAVI Board meeting. Furthermore, CSOs were keen to play a more long-term and strategic role.

3 Recommendations for GAVI's next replenishment

- 3.1 Interviewed donor representatives, partners and GAVI staff made three central recommendations to improve GAVI's replenishment process moving forward:

Deliver and demonstrate results

- 3.2 The first priority for GAVI must be to deliver on the promise to immunise more than 250 million of the world's poorest children against life-threatening diseases by 2015 and prevent nearly four million premature deaths.¹⁰ The 2011 Pledging Conference raised the global visibility and scrutiny of the Alliance. Donors need to see that GAVI is able to deliver vaccines to the world's poorest children. This will, in turn, set the tone for the next replenishment.
- 3.3 Beyond the delivery of vaccines, GAVI must make progress in the areas of co-financing and market-shaping. Additionally, donors expect GAVI to expand and diversify the donor base, including an increase in private sector contributions.

Long-term resource mobilisation strategy development

- 3.4 The next replenishment should be guided by a comprehensive long-term resource mobilisation strategy. It must include an appropriate share of financing among donors, graduating countries, GAVI countries and vaccine manufacturers; measures to increase the share of emerging donors and innovative finance to provide long-term funding predictability; and fully developed, integrated national donor resource mobilisation, advocacy and communications strategies.
- 3.5 The resource mobilisation strategy should also include the following elements: risk mitigation, scenarios with detailed financial modelling, goals per funding mechanism, clear objectives accompanied by roles and responsibilities, and communications and advocacy plans supported by strong and disciplined messaging. The strategy development process should include a period of reflection guided by this assessment and frank conversations with donors. Donors also recommended using the current period to build consensus and a more predictable replenishment model.

¹⁰ <http://www.gavialliance.org/funding/resource-mobilisation/process/gavi-pledging-conference-june-2011/> (accessed 20 April 2012)

Management of the replenishment process

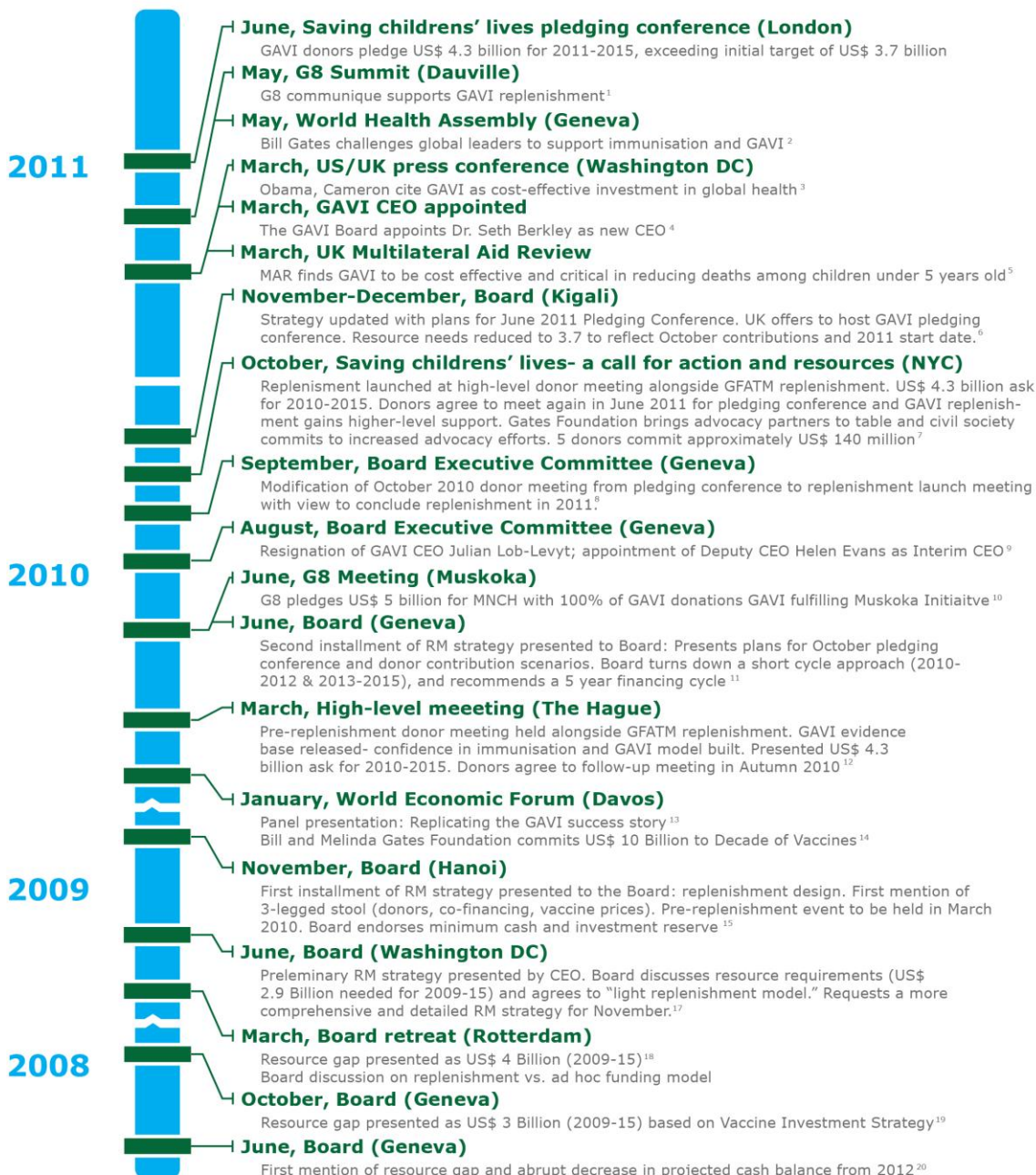
- 3.6 Interviewed donor representatives and partners recommended that the GAVI Secretariat take a more proactive role in coordinating the next replenishment. Donors explicitly stated that the Secretariat must own the process. A more proactive coordination role will require the Secretariat to fully implement the long-term resource mobilisation strategy, clarify roles and responsibilities, address barriers to institutional readiness and increase staff capacity.
- 3.7 Interviewees also recommended that GAVI establish a resource mobilisation advisory group or brains trust to provide ongoing expert advice, leverage advocate networks by engaging them in the strategy development and implementation, and engage CSOs in a more meaningful and strategic manner throughout the process.

4 Conclusion

- 4.1 In retrospect, GAVI's first replenishment revealed the extensive commitment of donors, the challenge for the Secretariat to lead a process without a blueprint, and the need to provide adequate time and support for the planning and implementation process. Moving forward, the Secretariat must balance two potentially conflicting philosophies: (i) the extension of ownership and leadership to donors and partners, and (ii) a strong Secretariat that provides a central vision and coordinates partners to that end. A well-developed long-term resource mobilisation strategy designed in close cooperation with donors and partners will ensure an appropriate mix of these philosophies. By inviting key stakeholders into the strategy development at an early stage, GAVI will preserve the ownership of donors and partners while creating a more sustainable and efficient way forward.

FIGURE 1:

Timeline of GAVI's first replenishment process (2008 - 2011)



Sources:

1) May 2011 www.g20-g8.com/g8-g20/g8/english/live/news/renewed-commitment-for-freedom-and-democracy.1314.html; 2) May 2011, www.gatesfoundation.org/press-releases/Pages/world-health-assembly.aspx; 3) March 2011, www.gavialliance.org/library/news/press-releases/2011/g8-communique-supports-gavi-replenishment; 4) March 2011, www.gavialliance.org/library/news/press-releases/2011/dr-seth-berkeley-appointed-as-gavi-alliance-chief-executive-officer/; 5) March 2011, www.gavialliance.org/library/news/press-releases/2011/gavi-alliance-welcomes-uk-multilateral-aid-review/; 6) November-December 2010: Board minutes and Resource Mobilisation presentation; 7) October 2010, Chair's summary: Saving childrens' lives- a call for action and resources; 8) September 2010, EC minutes & internal white paper- Timing Scenarios for GAVI Resource Mobilisation Meeting in 2011; 9) August 2010, Executive Committee minutes; 10) June 2010, www.gavialliance.org/library/news/statements/2010/gavi-welcomes-g8-commitment-to-muskoka-initiative/; 11) June 2010, A Call to Action: GAVI Resource Mobilisation 2010-2015; 12) March 2010, Chair's Summary: GAVI Alliance High Level Meeting 25-26 March 2010, The Hague; 13) January 2010, www.gatesfoundation.org/press-releases/pages/decade-of-vaccines-wec-announcement-100129.aspx; 14) January 2010, www.weforum.org/sessions.summary/replicating-gavi-success-story; 15) November 2009, Presentation and paper- Managing GAVI's finances; 17) June 2009, Resource mobilisation strategy paper; Vaccine investment strategy paper; 18) March 2009, Board paper- GAVI's funding model: clarifying key principles; 19) October 2008, CEO Report to GAVI Board; 20) June 2008, CEO Report to GAVI Board