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This document updates the GAVI Alliance Board on the implementation of GAVI's resource mobilisation strategy, including a review of:

- The step-change needed in funding levels for the 2012-2013 period in order to meet the overall funding requirements for 2011-2015 – Section 1
- An outline of the new pledging and replenishment approach – Section 2
- Outcomes of recent activities including the October 6, 2010 “Saving Children's Lives: A Call for Action and Resources” meeting where the replenishment process was launched – Section 3
- Plans for a June 2011 pledging conference at which donors will be invited to make multi-year pledges for the 2011-2015 period – Section 4
- Scope of activities that are planned beyond the pledging conference. These include broadening the donor base, increasing and extending contributions, delivering innovative finance, and securing increased private sector resources – Section 6

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Resource Mobilisation Update

1. Resource needs 2011-2015

- 1.1. **A unique opportunity to deliver on MDG4 and maternal and child health:** For the first time in history, we have the opportunity to deliver new life-saving vaccines against the world's biggest childhood killers while, at the same time, further expand global immunisation coverage. Over the next five years, support from the GAVI Alliance will help immunise 243 million children in 72 countries, including 230 million with pentavalent vaccines; 90 million with pneumococcal vaccines; and 53 million with rotavirus vaccines, while simultaneously strengthening routine immunisation at large. Compared to the 256 million children immunised over GAVI's first decade, a forceful acceleration of pace between 2011 and 2015 will significantly advance the Millennium Development Goals (MDGs) and MDG4, in particular.
- 1.2. **Overall funding challenge 2011-2015:** Estimates of country demand indicate that between 2011 and 2015, the GAVI Alliance expects to disburse a total of US\$ 6.8 billion to countries to meet their immunisation plans. Of this amount, US\$ 3.1 billion is already assured. Therefore, GAVI's overall 2011-2015 funding challenge – beyond already assured resources -- is US\$ 3.7 billion. Of this amount, US\$ 1.2 billion could be expected if donors maintain their contributions at the overall average level for 2007-2009. A further US\$ 2.5 billion (an

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average of US\$ 500 million per annum) would be needed to fully meet expected demand through 2015. See *Figure 1* and details in *Annex 1*.

- 1.3. **Immediate scale-up needed in 2011-2013:** The five-year perspective includes a requirement of US\$ 1.7 billion beyond already assured resources for the period 2011-2013 to fully fund existing and future programmes expected to commence in this period. Of this amount, US\$ 0.7 billion could be expected if donors maintain their contributions at the overall average level for 2007-2009. The step change required is a further US\$ 1.0 billion (an average of US\$ 340 million per annum) to fully meet expected demand through 2013.
- 1.4. Because GAVI's Program Funding policy requires "current plus two years of funding visibility" in order to approve new programmes, the Board would need to be assured by June 2011 that the US\$ 1.7 billion will be available for the 2011-2013 period in order to avoid a decrease in the expected programmatic pace. (This includes the anticipated 2011 IRC recommended programmes for which a call for applications was recently launched.)
- 1.5. Assured funding as mentioned in the above calculation of the overall funding challenge comprises the following: proceeds expected from existing IFFIm and AMC pledges and planned multi-year direct contributions secured through signed agreements or pledges confirmed at the New York meeting (including three that span the full period through 2015). A total of US\$ 538 million has already been pledged or signed in direct contributions for the next five years (2011-2015). See details in *Annex 2*.
- 1.6. In December, the GAVI Alliance will publish a document on *Resource Needs for 2011-2015* to take into account the latest pledged resources and planned demand, incorporate the decisions of the December Board, and reflect updated methodologies in assessing future deaths averted.
- 1.7. **Step-change in 2012:** Should donors simply sustain their recent level of commitments,¹ GAVI would face a US\$ 2.5 billion funding gap (an average of US\$ 500 million a year). Therefore, donor support must be scaled up if GAVI is to meet country demand for new vaccines. Charting the amount of funds annually needed makes it evident that a step-change is required in 2012, at which point a new demand "plateau" of US\$ 1.4 billion per year is reached for the period 2012-2015. *Annex 3* illustrates the required scale-up.
- 1.8. This scale-up is related to two factors: declining IFFIm proceeds in line with IFFIm's design and the current IFFIm commitment schedule and a rise in expected country demand, in particular for the two new vaccines against pneumococcal and rotavirus. The increase in country demand

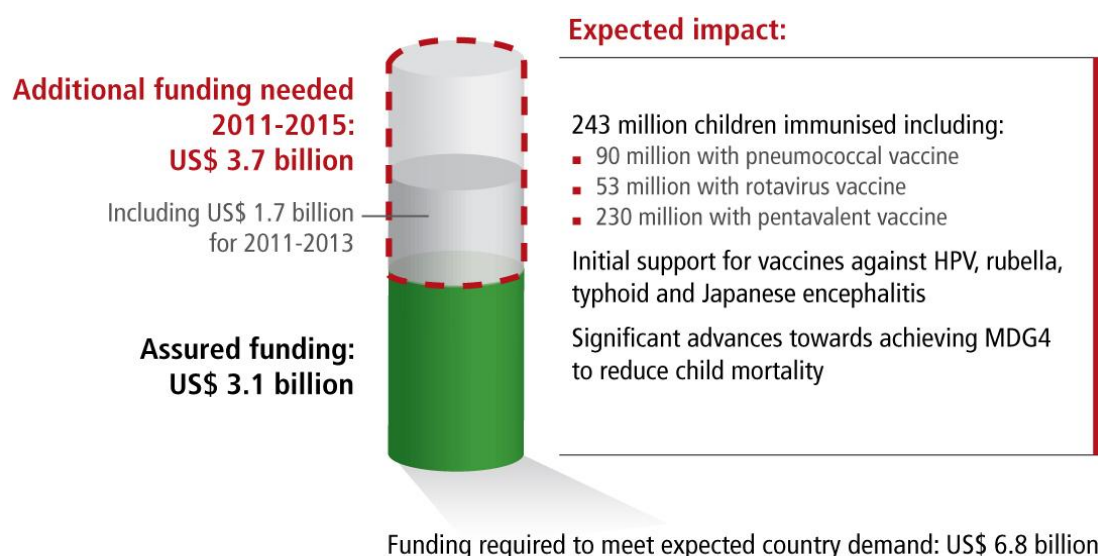
¹ i.e., if direct contributions provided in 2007-2009 are sustained but do not rise over the period and if IFFIm proceeds flow as planned with no IFFIm extension/expansion.

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is illustrated in *Annex 4* presenting expenditure projections for the period.

- 1.9. **Towards a funding “plateau”:** GAVI’s current financial projections for 2016-2020 indicate that total cash outflows stabilise, or “plateau,” at an average of US\$ 1.5 billion per year. This is partly the result of the GAVI business model, which includes shaping markets to secure falling vaccine prices over time, and programme sustainability partly created by scaled-up co-financing commitments. Barring a future new vaccine breakthrough, such as anti-malaria, GAVI’s challenge is not to keep expanding resources but only to ensure a successful step-change in donor support in 2012 to introduce the vaccines approved by the GAVI Board in June 2008. See expenditure projection chart in *Annex 4*.

Figure 1: GAVI Funding Challenge 2011-2015



2. Pledging/Light Replenishment Process

- 2.1. **Why a move to a multi-year financing and pledging system?:** GAVI must align multi-year programme commitments with anticipated resources so that countries and vaccine manufacturers can plan and invest accordingly. This is a critical component to its market-shaping model. GAVI’s historical fundraising arrangements often consisted of contributions on an ad hoc basis and timing, through mostly single-year pledges in accordance with each donor’s annual budgetary cycle. As the flexibility that is provided by IFFIm proceeds diminishes with the end of the first IFFIm cycle, this ad hoc practice fails to provide

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sufficient clarity over future cash inflows. A new approach is needed: a multi-year pledging system².

- 2.2. In June 2009, the GAVI Board noted that “given its credible demand forecasts and clear funding gap, GAVI is strongly placed for a ‘replenishment’ type approach, which would increase efficiency and funding predictability as well as long term planning by countries and industry; maximise economies of scale; concentrate the resource mobilisation effort; and reduce transaction costs.” The Board also emphasised that “any resource mobilisation effort should apply an innovative approach, with a light process that respects the unique characteristics that distinguish GAVI.” The Board encouraged GAVI to “explore potential synergies in resource mobilisation with other global health initiatives.”
- 2.3. **What are the characteristics of GAVI’s replenishment?:** The design of GAVI’s “light replenishment process” has been built upon the lessons learned from other institutions and in the context of GAVI’s own uniqueness and experience. Further consultations with donor constituencies helped develop clarity on the key elements needed:
- a multi-year financing cycle enabled by a major pledging conference at which donors simultaneously announce multi-year pledges through 2015;
 - a prior consultation cycle, preferably assisted by an independent facilitator (see *Annex 5*), to prepare the pledging conference and facilitate donor consultations;
 - timely deployment of supportive activities with media, advocacy groups and key stakeholders in donor and recipient countries in the lead-up to the pledging conference to recognise, encourage and strengthen political will;
 - continuous fundraising activities between pledging conferences with focus on broadening the donor base and advancing innovative finance instruments;
 - When appropriate, and based upon pledge results, mid-process reviews to assess the process going forward and provide opportunities for further pledges towards the longer funding cycle.
- 2.5. It is worth noting a specific GAVI characteristic in the approach: GAVI’s financial forecasts are based on regularly updated Strategic Demand Forecasts. These forecasts are updated twice per year and are validated through extensive consultations with WHO, UNICEF and country health ministries and programme managers. They also factor in

² This is a proven practice in global health despite the challenge for donors of yearly budgetary cycles. For the Global Fund replenishment period 2008-2010, for example, donors have provided support for periods ranging from three to eight years.

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issues of country readiness, including cold chain capacity and take into account historical uptake and approval rates. The demand data is, therefore, strictly quantified and documented.

3. Implementation activities to date

- 3.1. **25-26 March 2010:** The Netherlands hosted the GAVI Alliance High-Level Meeting on Financing Country Demand in conjunction with the first meeting of the Global Fund to Fight AIDS, Tuberculosis and Malaria's (GFATM) Third Replenishment. This was the first time GAVI donors and key stakeholders met to focus exclusively on mobilising resources for GAVI's mission and discuss the possibility of a new replenishment model. The occasion gathered current government donors, the European Commission, the Bill & Melinda Gates Foundation and potential donors, including Belgium, Brazil, China, Finland, the Republic of Korea and Saudi Arabia, to discuss GAVI's past and potential impact.
- 3.2. The March 2010 meeting resulted in strong endorsement of the evidence base for continued and increased support to GAVI and paved the way for a two-step replenishment process to be launched with a Call for Action and Resources event in October 2010 and conclude with a pledging conference in June 2011. (After consultations with donors and stakeholders, initial plans for a single step process, to have taken place in October 2010, were revised to allow enough lead time for advocacy and budgetary processes to maximise commitment levels.)
- 3.3. **6 October 2010:** The GAVI Alliance held a well attended, high-level replenishment launch meeting entitled *Saving children's lives – a call for action and resources for the GAVI Alliance* in New York City. Participants were senior representatives from stakeholder groups and donor governments, many of whom had not previously been directly engaged with GAVI. The meeting was chaired by Mr. Espen Barth Eide, State Secretary, Ministry of Foreign Affairs, Norway and Dr. Ezekiel Emanuel, Special Advisor for Health Policy, Office of Management & Budget, USA.
 - In addition to launching the two-step resource mobilisation process and preparing the June 2011 pledging conference, the meeting was also a platform to leverage the political momentum around the G8/G20 and MDG processes. Donors reaffirmed the key role GAVI plays in delivering on the MDGs and the Maternal and Child Health agenda, with contributions to GAVI counting 100% towards the G8's Muskoka Initiative metrics.
 - Many donors mentioned plans to announce new commitments in June 2011, acknowledging GAVI as a cost-effective, results-oriented investment vehicle in global health and development. Non-donor partners and stakeholders (multilateral agencies, civil

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society and industry) also strongly supported the case for GAVI as a best-buy in global health, and stated their own commitments to drive results and achieve greater efficiencies.

- **Several new and potential partners** attended and demonstrated keen interest in joining GAVI. The Chairs welcomed Korea as GAVI's newest donor with a first agreement signed in September, and Japan's intention to become a GAVI donor, which would result in full G8 support to GAVI. China also indicated its readiness to offer expertise and other support.
- **New pledges:** Several existing donors, including Australia, Canada, the European Community, and Luxembourg, took the opportunity to pledge new funding for GAVI. In addition, since March 2010, a number of government donors delivered new funding or long term commitments. A total of US\$ 415 million in additional assured resources has been raised through direct contributions since March 2010. (See *Annex 2*.)
- **Innovative Finance:** Several donors praised IFFIm as a cost-effective and flexible source of predictable funding for GAVI's future and encouraged others to consider IFFIm as a way of providing further support. Donors also noted the importance of exploring new innovative finance initiatives to help meet the long term challenge. A working group to design new sovereign initiatives was suggested by France, while the Gates Foundation committed to work with GAVI and donors on developing new innovative finance mechanisms.

4. Next Steps: Countdown to June 2011 pledging conference

4.1. **Plans for June 2011:** The date and location of the June 2011 pledging conference will be announced in the coming weeks as the Secretariat concludes discussions with donors. At the same time, the Secretariat is exploring the involvement of the UN Secretary-General. The enrollment of an independent facilitator to guide the process is also underway. The Secretariat is also working on the mechanics of the pledging process.

4.2 **The scope of requested donor support**

- Donors will be requested to join the pledging conference and announce pledges for the full 2011-2015 period.
- Donors are, therefore, invited to make five-year pledges (including for 2011), which would be disaggregated by year in order to determine the "qualifying resources" for the next cycle of funding commitments.

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- 4.3 ***An eight-month campaign towards the pledging conference:*** The Secretariat has initiated an eight-month process to help donors maximise their June 2011 pledges. Senior Secretariat members and the independent facilitator will meet with each donor to discuss and address key issues with the objective of arriving at an agreement on funding levels and modalities.
- 4.4 ***Developing national ownership through GAVI support networks*** in country will be essential to strengthening the political will to make the step-change required in GAVI funding. To support this, GAVI is working to develop a stakeholder movement to ensure national ownership and nurture global champions for effective advocacy, including civil society, parliamentarians and other key influencers. While the short timeframe is challenging, these efforts which were initiated in 2010, will be essential to success.
- 4.5 ***Civil society is a key member in the effort*** to empower GAVI stakeholders to act as champions and encourage political leadership. Efforts to strengthen civil society engagement in GAVI were first signalled at the Hanoi Partners Forum in 2009 and strengthened through the Secretariat's active engagement throughout 2010. At the 6 October event, civil society representatives announced their commitment to scale up advocacy for GAVI to see the funding gap met.

5. ***Support from the GAVI Board***

- 5.1 The GAVI Board is encouraged to collectively consider how it supports the resource mobilisation agenda. It may be appropriate for donor constituencies to review their operations and seek to develop a clear donor constituency process to facilitate new donors joining the Board and help incentivise higher contributions.
- 5.2 The active engagement of individual Board members is critical to the success of the replenishment and all are invited to actively participate in this effort. Both donor and recipient constituencies have been, and will continue to be, directly engaged. Partner agencies on the GAVI Board are being solicited to support the GAVI advocacy agenda through their own activities. Other Board members will be invited to suggest roles they can play to advance donor country advocacy and help develop political will.

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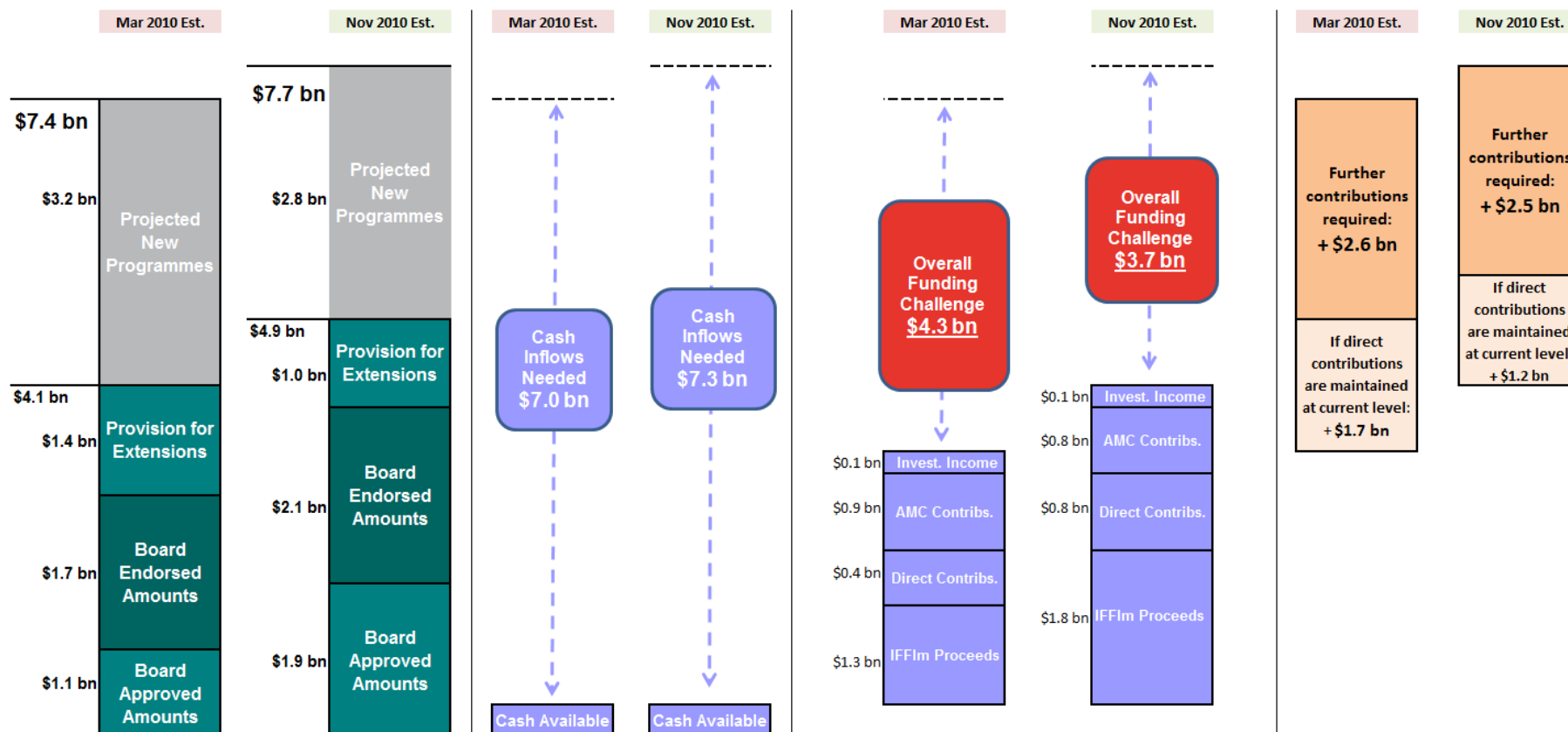
6. *Continued activities post-pledging conference*

- 6.1 ***Broadening the donor base:*** The GAVI Alliance's Second Evaluation reiterated the need for GAVI to further broaden its donor base. As illustrated by GAVI's resource mobilisation strategy in June 2009 and the 2011-2015 Business Plan, GAVI has, indeed, taken steps in this direction. The stated goal is: three new donors by end of 2011, cumulatively rising to six by 2013 and eight by 2015.
- 6.2 ***Increasing and extending contributions:*** Experiences of other comparable agencies show that broadening the donor base has proven important but is in no way sufficient to meet funding gaps. As a result, a key objective stated in GAVI's Business Plan 2011-2015 is to expand and extend contributions from existing donors while seeking to attract new donors with sizeable contributions. As the new system of long-term pledges is put in place, not every donor may be in a position to maximise its pledge. Ongoing mobilisation will likely be needed to deliver the anticipated funding support that is not yet pledged at the initial pledging conference.
- Furthermore, some new donors may join GAVI with a modest initial contribution in their first investment years. But it will be GAVI's objective to invest resources to maximise each opportunity in the following years.
- 6.3 ***Delivering innovative finance:*** Extending and expanding IFFIM and deploying new innovative finance instruments is a multi-year effort unlikely to be delivered by June 2011. Hence, the priority now and in subsequent years is to identify and advance these initiatives with donors and other stakeholders.
- 6.4 ***Extending private sector resources:*** The GAVI Alliance has an attractive value proposition for corporate and private partners. The GAVI Campaign/Immunize Every Child (a United States 501(c)(3) nonprofit organisation) was established in 2007 to attract funding from a critical mass of private donors while building a vocal and visible donor community. The Campaign's business plan aims to raise annual revenues from private individuals and partnerships to US\$ 25 million a year by 2015 -- two percent of contributions -- and explore ways to expand to five percent. This will be supported in 2011 by the development of plans to expand outside the US and Spain.

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7. Resource mobilisation scenarios 2011-2015

- 7.1 The GAVI Board first discussed 2010-2015 cash inflow scenarios at its November 2009 meeting and updated them in June 2010.
- 7.2 ***An updated model:*** The updated November 2010 model incorporates scenarios for direct contributions and innovative finance inflows, and maps scenarios with a lower and higher range, taking into account each donor's unique political and economic context. The lower-end of the range takes into account risks and limited opportunities, while the higher-end assumes that key factors are fully aligned for success. Assumptions reflect outcomes of previous consultations with donors, economic and political situations, the depth of the donor relationship to GAVI, potential for growth based on the benchmarks of other institutions, and political priorities expressed by the donor. While the scenarios are constructed (and in most cases vetted) donor by donor, specific donor elements remain confidential. So as to respect the confidentiality of the consultation process, the model presents aggregate trends.
- 7.3 ***Confirming qualifying resources:*** A first outcome of this modelling is a further reality check on the qualifying resources to be considered when allocating resources according to GAVI's Programme Funding policy. The overall annual level of direct contributions received in the last three years (2007-2009) has been deemed a reliable conservative scenario to calculate the average for the next three years (2011-2013). This is further affirmed by the more conservative projections delivering a 13% increase in the level of direct contribution between the two periods. More progressive scenarios deliver even more significant levels that would further close the funding gap. (The expected ranges feature in *Annex 6*.)
- 7.4 The progressive outlook is based on a three-year average (i.e., performance in individual years may vary). The global economic crisis reduced the funding levels of four donors in 2010 but most of these are planning increases in 2011. Several recent announcements in October further demonstrated the positive outlook with Australia raising its contribution level by US\$ 3.6 million (+72%), two donors (Canada and South Korea) who had not provided direct contributions to GAVI in 2007-2009 period announcing respectively a further US\$ 10 million and US\$ 0.4 million annually, and Japan pre-announcing its plans to join as a donor in 2011.
- 7.5 ***Overall cash inflows scenario for 2011-2015:*** Further enhancements and updates to the cash flow scenarios are underway and the outcome will be presented at the December Board meeting and in *Annex 6*, which will be distributed prior to the meeting.

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US\$ Million	Yearly average 2007-2009	As of November 2010							As of March 2010							Change
		2010	2011	2012	2013	2014	2015	Total	2010	2011	2012	2013	2014	2015	Total	
Australia	5.0	8.6	<i>19.4</i>	<i>19.4</i>	<i>19.4</i>			66.8							0.0	66.8
Bill & Melinda Gates Foundation	75.0	75.0	75.0	75.0	75.0	75.0		375.0	75.0	75.0	75.0	75.0	75.0		375.0	0.0
Canada	0.0		<i>9.7</i>	<i>9.7</i>	<i>9.7</i>	<i>9.7</i>	<i>9.7</i>	48.5							0.0	48.5
Denmark	4.6	6.4	4.5					10.9	4.5	4.5					9.0	1.9
European Commission (1)	18.9			<i>40.1</i>				40.1			13.2				13.2	26.9
Germany	3.9	5.1						5.1							0.0	5.1
Ireland (2)	5.2	0.6						0.6	0.7						0.7	-0.1
Luxembourg	1.1	1.1	1.1	1.1	1.1	1.1	1.1	6.6							0.0	6.6
The Netherlands	34.5	25.7						25.7	26.0						26.0	-0.3
Norway (3)	78.1	78.0						78.0							0.0	78.0
South Korea	0.0	0.4	0.3	0.3				1.0							0.0	1.0
Spain	13.5							0.0							0.0	0.0
Sweden	16.2	7.4						7.4	7.0						7.0	0.4
United Kingdom	16.0	15.9	0.0	0.0	4.7	37.9	37.9	96.4							0.0	96.4
United States of America (4)	72.1	78.0						78.0							0.0	78.0
GAVI Campaign:																
- La Caixa Foundation	2.1	4.1						4.1							0.0	5.2
- Other private	2.8	1.0						1.0							0.0	1.0
Total Direct Contributions (5)	349.1	307.3	110.0	145.6	109.9	123.7	48.7	845.2	113.2	79.5	88.2	75.0	75.0	0.0	430.9	415.4
Change from March 2010		194.1	30.5	57.4	34.9	48.7	48.7	414.3	2011-15 FX rates used: 20 Sep 2010							

Figures in the chart indicate signed agreement (regular font) or political pledges (italics)

New commitments or pledges secured since the Hague Meeting in March 2010 are indicated in green:

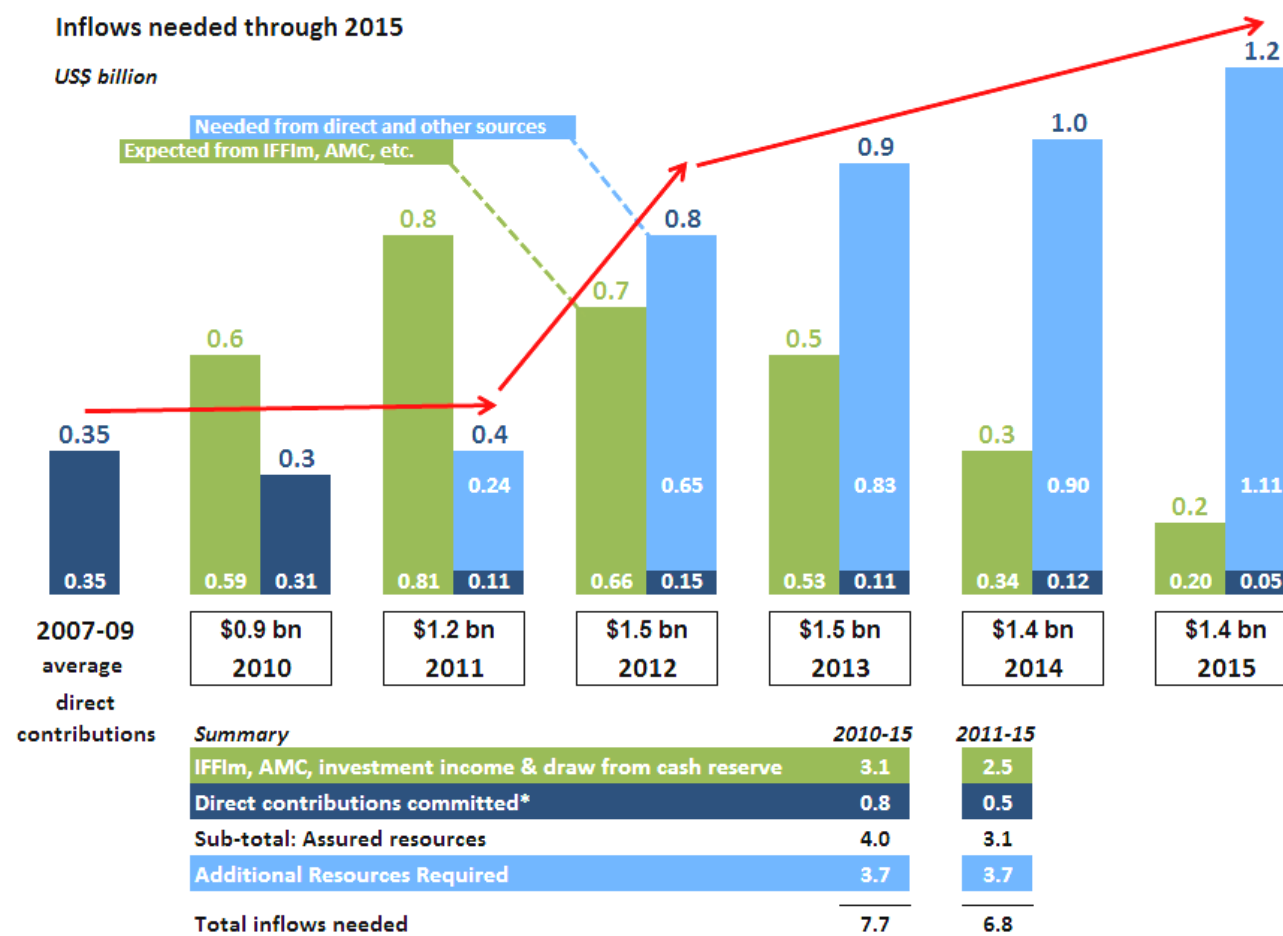
(1) European Commission: US\$ 40.1 million in 2012 includes a signed agreement in place for US\$ 13 million and an additional agreement of US\$ 27 million to be signed by 31 December 2010.

(2) Ireland: Additional funding from Ireland under discussion for 2010.

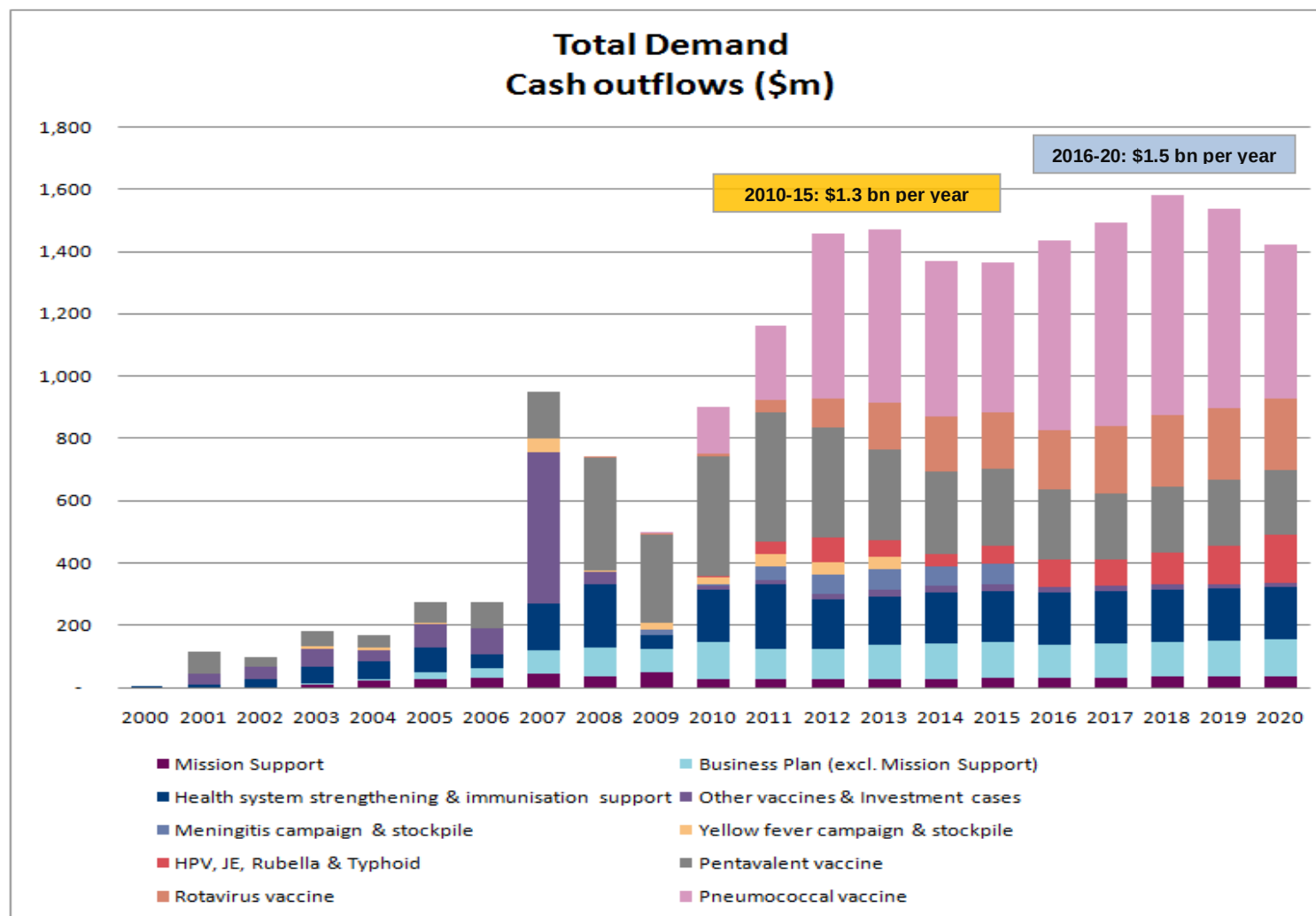
(3) Norwegian 2010 contribution to be paid in December 2010. In addition to the above, Norway has signalled a political pledge to at least sustain funding to GAVI.

For 2011-15 annual assumption is NOK 500 million less NOK 35 million average contribution to AMC. Estimate US\$ 79.5 million per year on average.

(4) Contractually committed 2010 U.S. contribution expected to be paid in December 2010.

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*Direct contributions committed by signed agreement or pledge at New York Meeting, 6 October 2010

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ANNEX 5. Terms of reference for Replenishment Facilitator

The GAVI replenishment process calls for a contracted, independent facilitator to work with donors and the Secretariat throughout the replenishment process. S/he will be responsible for the following:

- Build on and consolidate plans for GAVI's first replenishment and advise GAVI management on the participation of public and private donors and other stakeholder contacts to be pursued. Advise GAVI on possible policy issues to be addressed in order to facilitate an effective replenishment;
- Meet with each government donor, together with GAVI staff, to discuss and address their key concerns, subjects for replenishment documents and to seek their support in arriving at an overall agreement on funding levels and modalities. Guide GAVI in attracting potential new donors and providing incentives for new donors to join the replenishment;
- Guide the preparation of documentation for the pledging conference. This would include providing advice on necessary background analysis, structure and content of papers and reviewing different drafts;
- Advise GAVI on approaches to ensure that implementing countries are more consistently represented at the replenishment discussions; and,
- Assist GAVI Management in any follow-up that may be required after the pledging conference and during a transitional year of new GAVI leadership.

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ANNEX 6. Scenario modeling

To assess prospects for meeting the US\$3.7 funding challenge, the Secretariat has further developed its scenario modeling work to encompass all elements contributing to address the funding challenge. The model presented here also incorporates further enhancements in the model, including the association of probabilities to each donor prospect contribution, year per year, increment by increment. This annex presents both the model design and the conclusions relative to the scenarios, and provides an annotated master table.

1 Scenario Model

Overall approach

- 1.1 Scenarios for mobilising resources to meet the funding challenge incorporate projections for direct contributions, innovative finance inflows, and other factors that may reduce the funding challenge including potential business plan costs reductions and co-financing inflows. The model presents three resource scenarios: low; medium; and high based on probability of realisation

Direct Contributions

- 1.2 The most granular work involves the direct contributions as they constitute the major source of resources under each scenario.
 - 1.2.2. The “low” resource scenario is a conservative trend model comprised of signed agreements, public pledges, and strong commitments or expectations that have 80-100% probabilities of being delivered.
 - 1.2.3. The “medium” resource scenario is the most reasonable planning model. This scenario is based on advanced consultations with new and current donors. This scenario adds to the low scenario with funding increments in discussion that have probabilities of 50% or more.
 - 1.2.4. The “high” resource scenario includes sought funding increments that are associated with probabilities above 20%. Therefore, this scenario represents the target of efforts which, at this stage, we have less assurance of delivering, and for which political will needs to be mobilised.
- 1.3 All scenarios have factored in each donor’s unique funding context, including their political and economic climate, potential for available global health funding based on contributions to institutional benchmarks, political priorities expressed by the donor and the depth of their relationship with GAVI. The core data set for direct contributions is a matrix compiled donor by donor, year per year, featuring the funding prospects in three increments (most conservative, modest growth, targeted high growth) that are each associated to a specific level of probability. The data set was discussed with most donors as a reality check. In order to respect the confidentiality of the consultation process, the model presents aggregate trends.

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- 1.4 For illustrative purposes only, the following tables present the treatment of a direct contribution planned for a given year from a hypothetical donor.

Table 1. Country X donor, data set for year y

<i>Country x / year y</i>	Most conservative (floor basis)	Modest growth increment	High growth increment
Funding scenario	10 million	11 million	15 million
Probability factor	100% (signed agreement or public commitment)	75% (in this case, assurances received from the donor that this is the minimal working hypothesis)	20% (discussion with donor and stakeholders indicate that this higher level is a possibility but no assurance provided that it is achievable).
Increment	10 million	1 million = 11-10	4 million = 15-11

From the above, 10 million will be assigned to the low resource scenario (sole funding option associated to a probability above 80%). The modest growth increment, whose probability is above 50% will feed the medium resource scenario: 11 million. The high growth increment, a target of efforts but not yet a strong potential with a low probability of 20%, will feed the high resource scenario; 15 million. The result would be:

Table 2: Scenario impact for country x in year x

	Low	Medium	High
<i>Country x / year y</i>	10 million	11 million	15 million

In the above example, had the probability of the modest growth increment in table 1 been 90% instead of 75% (for example if the 11 million funding level were at a late stage of government approval with no anticipated concerns), the scenario outcome would have been different. Both the most conservative and the modest growth increment (11 million in total) would have been included in the low resource (i.e. high probability) scenario; the medium resource scenario would have been equal to the low scenario since there were no medium probability increments to add. There would have been no change to the high scenario (15 million) which includes all probabilities above 20%.

Innovative Finance

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- 1.5 A similar approach was taken to consider innovative finance prospects. As in the case of direct contributions, projections are cautiously conservative, and, at this stage, focused mostly on the opportunities at hand. Because totally new mechanisms have significant lead-times, they cannot be expected to yield resources immediately. Accordingly, with the exception of the backstop facility, a new but more readily applicable instrument, projections focused on enhancements and adaptations of existing mechanisms, some of which have the potential to increase available resources in the short-term, such as IFFIm extensions and enhancements related to the IFFIm gearing ratio limit.
- 1.6 Careful consideration was given to the potential overlap between innovative finance and direct contributions: in most cases donors may chose one or the other instrument, as per donor preferences, therefore both instruments were fully charted, but potential overlap was quantified and applied to correct overall assumptions.
- 1.7 Potential expenditure savings will also contribute to reducing the funding challenge. The scenarios assume savings through increased co-financing if the revised co-financing policy is adopted. Allowance is also made for potential savings on funding provided to partners for some programme implementation activities, in the event that such activities were transitioned back to their 'home' agencies, as the PPC has recommended for assessment. Further reductions of vaccine prices may also contribute to lowering expenditure but because the impact of this may not be substantial through 2015, such potential savings are not anticipated in the resource scenarios.

2. Conclusions

2.1. *Overall conclusions.*

Table 3- Prospects for meeting the funding challenge 2011-2015 and 2011-2015

Prospects for meeting the funding challenge 2011-2015	Low	Medium	High
Funding Challenge before reduction	(3.7)	(3.7)	(3.7)
Reduction of the Funding Challenge	1.8	3.2	4.1
Funding Challenge after reduction	(1.9)	(0.6)	0.4*
Prospects for meeting the funding challenge 2011-2013	Low	Medium	High
Funding Challenge before reduction	(1.7)	(1.7)	(1.7)
Reduction of the Funding Challenge	1.0	1.7	2.3
Funding Challenge after reduction	(0.7)	(0.0)	0.5*

* Surplus, instead of remaining challenge.

- 2.1.1. As expected, the low scenario, a most conservative trending of the commitments to date, leaves a significant funding gap for both the

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five-year (2011-2015) and the three-year (2011-2013) timelines. In other words, relying solely on current pledges and signed agreements as well as a most conservative trending of commitments is not a viable option for GAVI.

- 2.1.2. The medium scenario, which incorporates modest growth ambitions of 50% and higher probability, offers the prospect of reducing the funding gap by US\$3.2 billion, US\$600 million short of the funding challenge in the five-year perspective. In other words, donors need to be invited to consider, whenever possible, extending their ambitions toward the higher growth increment over a modest growth increment. In the three-year perspective, the funding challenge is fully met in the medium scenario, illustrating efforts to date in engaging donors on a path for growth.
- 2.1.3. The high scenario assumes that all probabilities above 20% will be realised. By definition, assuming that all probabilities over 20% will be realized is not a realistic planning option. However, in light of the above, the funding increments considered in this scenario constitute solid targets worth pursuing wherever possible to bridge the funding gap.
- 2.1.4. It is worth noting that the medium scenario also happens to be the most correlated with the probability adjusted projection the model provides (90% of medium scenario) in both timelines. The resource scenario table below details the breakdown of contributions for each of the three scenarios by funding channel. Innovative finance accounts for 5% to 28% depending on the scenario. The bulk of the inflows are expected to come from direct contributions.

Table 4- Breakdown of the potential reduction of the funding challenge 2011-2015

Scenarios:	Low resource scenario		Medium resource scenario		High resource scenario	
Direct Contributions (net of assured)	1,604	88%	2,441	77%	3,257	79%
Innovative Finance (net of assured)	100	5%	680	21%	1,145	28%
Adjustments to avoid potential overlap	0		(137)	-4%	(559)	-14%
Expenditure Reductions	1,16	6%	193	6%	260	6%
Potential Reduction of the Funding Challenge	1,819	100%	3,178	100%	4,103	100%
	\$1.8 bn		\$3.2 bn		\$4.1 bn	

2.2 Implications for direct contribution growth and qualifying resources

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- 2.2.1 Donors are strongly encouraged to continue their efforts to secure these GAVI additional funds so that we can meet and exceed the medium scenario, successfully filling the funding gap. Since the bulk of the inflows are expected to come from direct contributions, we are providing here an aggregate view of what growth is implied for these contributions in each scenario.
- 2.2.2 Table 5 presents the growth implied in each of the scenarios for current donors and new donors, illustrating in part the efforts of the GAVI Alliance to broaden its donor base with the hope to deliver at least 10-12% of the direct contributions funding from new donors.
- 2.2.3 Table 5 also compares the average yearly funding planned for 2011-2015 with the historical average of 2007-2009 (US\$350 million). A noteworthy conclusion is that even the low scenario, a most conservative projection, delivers for the five-year cycle a yearly average 22% above the 2007-2009 yearly average. The model also confirms that for the 2011-2013 period, this low scenario delivers a 13% increase over the 2007-2009 yearly average. This provides further validation of the approach taken recently to assess the qualifying resources to be considered when allocating resources according to GAVI's Programme Funding policy.

Table 5. 2011-2015 direct contributions per year, with 2007-2009 comparison

Scenarios:	Low	Medium	High
Direct contributions per year			
current donors	397	537	668
- new donors	31	58	91
Total per year – overall	428	596	759
Increase over 2007-2009 average			
Top 4 donors	18%	45%	91%
Other current donors	2%	79%	92%
Overall increase over 2007-2009	22%	70%	117%

3. Resource Scenario Table 2011-2015

The Resource Scenario Table in Figure 6 and the accompanying notes provide details that are summarised in the following commentary.

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Figure 6. Resource Scenario Table 2011-2015

US\$ million	Scenario 1: Low	Scenario 2: Medium	Scenario 3: High
Funding Challenge before reduction	\$3.7 bn	\$3.7 bn	\$3.7 bn
Reduction of the Funding Challenge	\$1.8 bn	\$3.2 bn	\$4.1 bn
Remaining Funding Challenge	(\$1.9 bn)	(\$0.6 bn)	\$0.4 bn

Potential for reducing the funding challenge - summary:

Direct contributions	(1)	1,604	88%	2,441	77%	3,257	79%
Innovative Finance - new initiatives	(2)	100	5%	680	21%	1,145	28%
Adjustments to avoid potential overlap	(5)			(137)	-4%	(559)	-14%
Other factors	(3&4)	116	6%	193	6%	260	6%
Potential reduction of the Funding Challenge		1,819	100%	3,178	100%	4,103	100%
		\$1.8 bn		\$3.2 bn		\$4.1 bn	

Potential for reducing the funding challenge - detail:

Note

1	<u>Direct contributions</u>	<u>2007-2009</u> Av. per Year							
	Top-4 donors (as in 2007-09)	259	74%	1,525	71%	1,873	63%	2,468	65%
	Other current donors	91	26%	462	22%	815	27%	874	23%
	New donors			154	7%	292	10%	453	12%
1.1	Total	<u>350</u>	100%	<u>2,142</u>	100%	<u>2,979</u>	100%	<u>3,795</u>	100%
1.2	less: Already counted*			<u>(538)</u>		<u>(538)</u>		<u>(538)</u>	
1.3	Additional			<u>1,604</u>		<u>2,441</u>		<u>3,257</u>	
2	<u>Innovative Finance - new initiatives</u>								
2.1	IFFIm extension					180		345	
2.2	IFFIm enhancement (Gearing Ratio)			100		150		200	
2.3	Backstop Facility					300		500	
2.4	Other new mechanisms					50		100	
				<u>100</u>		<u>680</u>		<u>1,145</u>	
3	<u>Investment Income</u>								
					Annual rate of return:	2%	3%	4%	
3.1	On Reserve, as reduced by Backstop Facility amount			97		101		94	
3.2	less: Already counted*			<u>(80)</u>		<u>(80)</u>		<u>(80)</u>	
	Additional			<u>17</u>		<u>21</u>		<u>14</u>	
4	<u>Expenditure reduction</u>								
4.1	Business Plan - cessation of funding to partners			49		98		146	
4.2	Increased co-financing			50		75		100	
				<u>99</u>		<u>173</u>		<u>246</u>	
5	<u>Adjustments to avoid potential overlap</u>								
5.1	Between Direct Contributions and IFFIm extension					(137)		(309)	
5.2	Between Direct Contributions and Backstop							(250)	
						<u>(137)</u>		<u>(559)</u>	
	Potential reduction of the Funding Challenge			1,819		3,178		4,103	
				\$1.8 bn		\$3.2 bn		\$4.1 bn	

* Already included within Assured Resources when computing the funding challenge

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3.2 Notes to the Scenario Table for 2011-2015

Direct Contributions

- 1.1 The amounts of direct contributions assigned to each scenario are derived from a donor-by-donor assessment of potential contributions for each year within ranges of probability. Potential contributions with a probability of 80% or greater are assigned to the Low resource scenario (1); those with a probability of between 50 % or greater to the Medium resource scenario (2); and those with a probability of 20% or greater to the High resource scenario (3).

The Funding Challenge of US\$ 3.7 billion is computed as the total amount of cash outflows expected in 2011-2015 if estimated demand to GAVI were fully met, minus the amount of already committed Assured Resources. The amount of Assured Resources includes US\$ 528 million for Direct Contributions (\$0.5 billion in the table below).

- 1.2 Hence, the total amount of direct contributions projected under the scenario minus the \$538 million already taken into account, gives the net amount by which the Funding Challenge would be reduced as a result of direct contributions under each scenario.

US\$ billion		2011	2012	2013	2014	2015	2011-15
A	Existing programmes	1.0	1.0	0.8	0.7	0.6	4.1
	New Programmes	0.2	0.5	0.6	0.6	0.8	2.8
	Total Outflows	1.2	1.5	1.5	1.4	1.4	6.8
B	Direct contributions - already committed	0.1	0.1	0.1	0.1	0.0	0.5
	Expected from IFFIm, via GFA	0.4	0.4	0.2	0.2	0.2	1.4
	Expected from AMC & investment income	0.2	0.3	0.3	0.1	0.1	0.9
	Drawdown of Cash & Investment Reserve	0.2	(0.0)	0.1	0.0	(0.0)	0.2
Assured Resources		0.9	0.8	0.6	0.5	0.3	3.1
A-B Additional Resources Required		0.2	0.6	0.8	0.9	1.1	3.7

Innovative Finance – new initiatives

- 2.1 IFFIm Extension: The amounts reflect the estimated proceeds that would become available to GAVI in 2011-2015 as a result of donors extending their current pledges to IFFIm by a further five years. These amounts would be additional to the expected proceeds from IFFIm from existing pledges, which are already included in Assured Resources (\$1.4 billion in the table above). Informed by discussions with donors, the Low resource scenario assumes that no donors would extend their pledges; the Medium scenario assumes that two donors would, while the High scenario assumes that six donors would. Where it is understood that the extension of an IFFIm pledge would reduce the amount of direct contributions from the donor, the potential overlapping amount is eliminated in row 5.1 of the relevant scenario.
- 2.2 IFFIm Enhancement: GAVI is exploring the possibility of securing a guarantee from one or more AAA-rated counterparties for the High Level Financing Condition inherent in the IFFIm mechanism (or through alternative means) that would allow enhanced frontloading of the proceeds from the existing IFFIm pledges, as a result of increasing the IFFIm Gearing Ratio Limit (GRL). The Low resource scenario assumes a resultant 5% increase in the GRL which would increase proceeds in 2011-2013 by approximately US\$100 million, while the Medium and High scenarios assume 7.5% and 10% increases in the GRL, yielding additional proceeds of US\$ 150 million and US\$ 200 million respectively.
- 2.3 Backstop Facility: GAVI is exploring the possibility of establishing a 'backstop' facility. Such a facility would act as a guarantee secured on future contributions that could allow a portion of the required cash and investment reserve (of approximately US\$1 billion) to be utilised to fund

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programmes. The Low resource scenario assumes that such a facility would not be established, while the Medium and High Scenarios assume that a facility would be established that enabled 30% (Medium scenario) or 50% (High scenario) of the reserve to be utilised to fund programmes.

- 2.4 Other new mechanisms: An initiative supported by McKinsey & Company is under way to identify potential new innovative financing mechanisms. The amounts included under the Medium and High scenarios are 'placeholder' amounts for potential income to GAVI from future mechanisms that that might be developed.

Investment Income

- 3.1 The 3 Scenarios project investment income at overall rates of return (on cash and investments) of 2%, 3% and 4% per annum. The amount subject to those returns is the Cash and Investment Reserve, minus any reduction to this as a result of the Backstop Facility (see note 2.3) that is assumed for the same scenario.
- 3.2 For investment income expected in 2011-2015, a conservative amount of US\$80 million is already included in Assured Resources, and this is deducted in arriving at the net addition to investment income under each scenario.

Expenditure reduction

- 4.1 The PPC has called for an assessment of the level of investment by GAVI in core partner activities included in the Business Plan and, where appropriate, a plan for transitioning these activities from GAVI back to their 'home' agencies, from 2013. An amount of approximately US\$65 million per year for such expenditure has been allowed for in computing Assured Resources. The scenarios assume that for 2013-2015, a reduction of 25% of this expenditure would be achieved under the Low resource scenario, 50% under the medium scenario and 75% under the High scenario.
- 4.2 The PPC has recommended to the Board a revision to the GAVI co-financing policy. The impact of the revision on GAVI expenditure is estimated in the region of at least US\$100 million through 2015. The scenarios assume that 70% of this would be achieved under the low scenario, and 100% under the Medium and High scenarios.

Adjustments to avoid potential overlap

- 5.1 Support for some of the new innovative finance mechanisms may displace an increase in direct contributions. Allowance is made for this potential overlap in order to avoid 'double counting' of potential additional resources, as mentioned in note 2.1 with regard to IFFIm extension.
- 5.2 A similar adjustment is provided for regarding the IFFIm enhancement (2.1) and the backstop facility (2.3), in case the establishment of these mechanisms had a reducing effect on potential growth in direct contributions.