The Programme and Policy Committee is recommending a new method for allocating the maximum grant an eligible country could receive through the Health Systems Strengthening (HSS) programme. Compatible with the four principles the Prioritisation Task Team identified (supporting nationally-defined priorities, objectivity, transparency and feasibility), the new formula better allocates funds toward the countries with the greatest need, another key principle the Prioritisation Task Team recommended for cash grants.

The Programme and Policy recommends to the Board that it:

- Endorse a new HSS resource allocation method whereby the maximum potential amount of funding would be:
  - Based on an eligible country’s total population and weighted against a graded gross national income (GNI) scale.
  - Never less than US$ 3 million.

Some countries are GAVI-eligible but not Platform-eligible. If a future decision is made to make HSS funding available to these countries, the same formula will be applied, however, there will need to be a ceiling – i.e. a maximum possible grant. The Secretariat recommends that this ceiling be equal to the largest possible allocation for Platform-eligible countries.

A decision is needed now because work on preparing for the Platform is underway.

### Health Systems Strengthening Resource Allocation

To set a reasonable and fair ceiling on the amount of funding a country could potentially apply for from the Health Systems Strengthening (HSS) programme, GAVI set the following formula:

- Countries with an annual GNI higher than US$ 365:
  - $2.50 x number of newborn children per year
- Countries with an annual GNI lower than US$ 365:
  - $5.00 x number of newborn children per year

This system has major advantages in terms of equity, predictability and transparency. Countries appreciate this system, and it prevents situations where the first to apply could be awarded a disproportionate amount of funding.

Given the Health Systems Funding Platform, it is appropriate to re-visit the allocation method. The PPC hopes to put in place a system that better allocates funds toward the countries with the greatest need without sacrificing the advantages of the current system. In doing so, it also did not want to signal entitlement to funding; countries would still have to justify their requests through the usual application channels.

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1 Health Systems Strengthening: Resource Allocation Paper presented at May 17-18 PPC meeting
After consultation with Platform partners, the Programme and Policy Committee in May moved to recommend a revised formula that it believes addresses the goals outlined above.

**The Options**

The work GAVI commissioned identified three realistic options for consideration. These options were coupled with a potential funding floor and ceiling in order to deal with very large and very small countries. The three options considered were:

**Option 1: Newborn cohort, weighted based on two groups split by GNI**

The first option maintains the current system which is based on newborns and $2.5/$5 allocations for countries with respective per capita GNIs above and below $365 per year.

**Option 2: Population-based, weighted based on two groups split by GNI**

This option is similar to Option 1, but is based on total population. This option responds to an issue raised in the 2009 evaluation of GAVI HSS - that health systems are for all the population and not just newborns.

**Option 3: Population-based, weighted based on graded GNI**

This option is similar to option 2 but instead of bifurcating countries based on a single GNI threshold, GNI would be fully graded. The lower the per capita GNI a country has, the higher the allocation of funding it would be eligible for. This method would more accurately fund the very poorest and the very richest countries.

**Analysis**

Options 1-3 all reflect equity of inputs according to different measures of need. Options 1 and 2 are based on demography – respectively newborns and total population. Option 3 reflects a more sophisticated measure of need, giving an equal weighting to population size and GNI per capita - i.e. national income to reflect relative levels of poverty.

To illustrate what the different options might look like in practice, it was necessary to choose some notional budget on which to base the calculations. Table 1 illustrates how $537.6 million, which would be the size of the HSS budget should option 1 be retained, could be allocated amongst eight countries which are eligible for the HSFP during the period 2010-2015. (Please note that both the total budget used in the table [$537.6 million], and the eight countries referenced are purely illustrative. The final budget, and therefore the final allocations, would need to be set independently of this decision.)

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2 Other options reflecting equity of outputs, efficiency and capacity to benefit were deemed impractical because they were not based on routinely available, globally accepted statistics.
Table 1: Health Systems – allocating funds amongst eligible countries, 2010-5

Assuming a total budget of $537.6 million, the maximum funding that could be applied for these 8 countries.\(^3\)

<table>
<thead>
<tr>
<th>Country</th>
<th>Option 1 (status quo)</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Newborns $ based on GNI (two groups)</td>
<td>Total Population $ based on GNI (two groups)</td>
<td>Total Population $ based on GNI (graded)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>51.9</td>
<td>72.1</td>
<td>59.5</td>
</tr>
<tr>
<td>Burundi</td>
<td>9.9</td>
<td>7.3</td>
<td>12.7</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>76.1</td>
<td>57.9</td>
<td>95.9</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>83.2</td>
<td>72.7</td>
<td>81</td>
</tr>
<tr>
<td>Haiti</td>
<td>3.2</td>
<td>4.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Senegal</td>
<td>4.9</td>
<td>5.5</td>
<td>3.7</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1.9</td>
<td>3.1</td>
<td>3</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>7.2</td>
<td>12.3</td>
<td>8.4</td>
</tr>
<tr>
<td>All 43 Platform-eligible countries</td>
<td>537.6</td>
<td>537.6</td>
<td>537.6</td>
</tr>
</tbody>
</table>

One disadvantage of the current formula is that some countries are only eligible for a very small amount of money – sometimes under $1 million. Many of these countries simply do not apply for support, as it was not worth the time and trouble. For this reason, the PPC is recommending a “floor” of $3 million. In the illustration above, Tajikistan would be eligible to apply for up to this number under option 3, though as the allocation currently stands, it could only apply for $1.9 million.

Significant other effects also occur if the allocation changes:

- **Burundi** is an exceptionally poor country. Because of its high birth rate, Option 1 (newborns) would result in a higher allocation than Option 2 (population.) But both are dwarfed by Option 3, which gives weight to Burundi’s extremely low income and thus results in the largest allocation of the three options.

- In contrast, **Senegal** is a small country with a lower birth rate and a relatively high GNI per capita (bearing in mind that these are comparisons amongst low income countries). Option 2 (population) gives it the highest allocation, followed by Option 1. Option 3 would provide Senegal with the least potential funding, because it includes GNI per capita in its weighting.

Also of note, the allocation for **Ethiopia** would be $81 million under option 3. This is for a period of 5 years, and for a population of over 75 million – i.e. about 20 US cents per person per year. This shows that analysing the absolute amounts is a useful reality check, especially given that these allocations are based on a notional total budget for HSS ($537.6 million) which may not actually be realised.

\(^3\) Details on how the figures were calculated are available upon request.
The PPC felt that option 3 gave the most appropriate allocations and was keen to recommend this option.

**Potential Funding Ceiling**

The system as described above will work for the current Platform-eligible countries (GNI less than $975). A decision has yet been made with regard to HSS support from GAVI for the 15 countries which are GAVI-eligible but not Platform-eligible (GNIs between $975 and $1500).

Should these countries be included, the same formula will be applied. However, it will be necessary to approve a ceiling so that, in absolute terms, the large middle-income countries in GAVI’s portfolio are not allocated a disproportionate amount of funding. The Secretariat has recommended a ceiling such that non-Platform countries should never be allocated more than is available to any Platform-eligible country. For example, if one returns to table 1 as an example, the most any non-Platform country could be allocated under option 3 would be $95.9 million since that is the highest number.

**Performance monitoring**

Under the Platform, performance will be reviewed annually through joint in-country reviews. These reviews offer GAVI a valuable opportunity to emphasise the importance of immunisation and can complement the financial incentives which may be made available through some future successor to the Immunisation Services Support programme.

**Links with other GAVI polices**

GAVI’s eligibility and prioritisation policies are relevant to any decision about resource allocation for HSS.

As noted before, countries eligible for the Health Systems Funding Platform are those defined as low-income by the World Bank – i.e. with a GNI of $975 or less\(^4\). Since GAVI’s eligibility threshold is $1,500, all Platform-eligible countries are also GAVI-eligible.

Also, the pilot prioritisation mechanism is being developed. As explained in the PPC paper *Development of a Pilot Prioritisation Mechanism (May 2010)*\(^5\) this mechanism is not intended to include proposals considered as part of the Health Systems Funding Platform. The two mechanisms serve different purposes. The prioritisation mechanism will help select which proposals to fund. The HSS mechanism determines the maximum amount which any particular country would be able to access from GAVI through the Health Systems Funding Platform. Decisions about which proposals/plans to fund will be made jointly with other Platform Agencies using clearly defined processes such as the Joint Assessment of National Strategies (JANS). What is needed in terms of a resource allocation formula is something easy

\(^4\) http://data.worldbank.org/about/country-classifications/country-and-lending-groups

\(^5\) Available upon request
to understand which uses widely-used information that makes sense to the other Platform agencies (hence GNI and population).

Under the proposed prioritisation mechanism, unfunded proposals from one application round would go into the pool of new applications for the next round. This system would not work for the Platform, which aims to be aligned to country planning and budgeting cycles.

Request

In the view of the PPC, the proposed formula for allocating resources under the Platform is entirely compatible with the four principles identified by the Prioritisation Task Team

- supporting nationally-defined priorities
- objectivity
- transparency
- feasibility

Further, option 3 will best allow Platform support to be directed towards countries with the greatest need, which is in line with the Prioritisation Task Team’s recommendation for cash grants.

Therefore, the PPC recommends to the Board that it:

- Endorse a new HSS resource allocation method whereby the maximum potential amount of funding would be:
  - Based on an eligible country’s total population and weighted against a graded gross national income (GNI) scale.
  - Never less than US$ 3 million.
  - Never higher for a non-Health Systems Funding Platform-eligible country (GNI in excess of $975) than a Platform-eligible country (GNI of less than $975).