

**FOR DECISION****Update on vaccine co-financing****Background**

In December 2005, the GAVI Board decided that support for introduction of new and under used vaccines will not include five years of 'free' vaccine but will require countries to contribute financing from the inception of support, starting in 2007. The objective of this policy is to enhance country ownership and encourage evidence-based decision making on the introduction of new vaccines. Further, the policy is intended to increase countries' share of financing for new vaccines to facilitate long-term sustainability.

In September 2006, the GAVI Alliance & Fund Executive Committees approved co-financing levels until 2010 with the understanding that a comprehensive review of the policy would be undertaken in 2008 to guide future co-financing levels. However, the policy had to be revised before it was implemented. First of all, rotavirus and pneumococcal vaccines had not been incorporated in the policy because they had not been approved for funding by GAVI when the co-financing policy was devised. In addition, it was important to give countries adequate time to incorporate the co-financing levels into their national budgets. In February 2007, the Working Group approved new co-financing levels until 2010; to be revised after a two year implementation period (see Annex 1).

GAVI's co-financing policy divides countries into four groups according to their expected ability to pay. These groups are: "poorest" (classified by the UN as 'least developed country'); "intermediate" (not 'least developed country' and GNI / capita <US \$ 1000); "least poor" (GNI / capita > US \$ 1,000) and "fragile states". Different levels of co-financing apply to the different country groups as presented in the table below. The co-financing amounts are minimum amounts. The GAVI Alliance encourages countries to increase their co-financing to progress more rapidly towards financial sustainability. Co-financing commitments are fulfilled when countries have procured the appropriate number of vaccine doses as indicated by GAVI in the decision letter to the country; countries either pay their co-financing amounts to UNICEF or undertake direct procurement.

**FOR DECISION****Minimum co-financing levels per dose of vaccine**

(single or combination, including Yellow Fever)

<i>Vaccine</i>	<i>Examples</i>	<i>Co-financing per dose (US\$)</i>			<i>Fragile States</i>
		<i>Poorest</i>	<i>Intermediate</i>	<i>Least Poor</i>	
No. 1	1 <sup>st</sup> vaccine, single or combination vaccines (including yellow fever)	\$0.20	\$0.30	\$0.30 (+15% annually)	\$0.10
No. 2 and 3	2 <sup>nd</sup> and 3 <sup>rd</sup> additional vaccine (single or combination)	\$0.15	\$0.15	\$0.15 (+15% annually)	\$0.15

In June 2008, the Board approved the co-financing default policy. This policy states that a country enters default if it does not fulfil its co-financing commitment by 31 December of the relevant year. The Secretariat is required to remind defaulting countries to pay up their co-financing commitments early the following year. The country has 30 days to respond in writing with the reasons for its default and the remedial actions planned to address compliance. If a country remains in default for more than one year the GAVI Board may decide to suspend support for the concerned vaccine until the co-financed vaccines are procured in full with non-GAVI funds.

The complexity and iterative process of designing this policy created delays in the actual implementation of the policy. The first decision paper on the co-financing policy was approved by the Board in 2005 but it was not until mid 2007 that the policy was finalised for implementation in 2008.

**Current status of implementation**

Beginning in 2008, GAVI started implementation of the co-financing policy for GAVI supported vaccines. The GAVI Secretariat, working together with partners through the Immunisation Financing and Sustainability Task Team<sup>1</sup>, is responsible for monitoring the implementation of the co-financing policy at country level. In 2008, the GAVI Secretariat received quarterly reports from UNICEF Supply Division and PAHO to track progress with country procurement. The quarterly reports were discussed by the IF&S Task Team and follow-up monitoring activities were agreed upon. At the beginning of 2009, the IF&S Task Team reviewed the 2008 status report on countries co-financing and planned actions for the Secretariat and partners to follow up with countries in default.

To date, of the **33** countries that were required to co-finance in 2008:

- **26** countries satisfied their co-financing requirement (See Annex 2)
  - The total amount co-financed by was US\$ 12,311,794.

<sup>1</sup> Members: Lidija Kamara, WHO; Patience Kuruneri, UNICEF; Logan Brenzel, World Bank; Mercy Ahun, GAVI Secretariat; Violaine Mitchell, Gates Foundation; Meredith Shirey, UNICEF SD; Claudia Castillo, PAHO; Santiago Cornejo, GAVI Secretariat; Kevin Grant, GAVI Secretariat; Marthe Sylvie Essengue, GAVI Secretariat

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- The co-financed amount represents 10% of their total GAVI support.
- Benin, Bolivia, Kiribati, Liberia, Madagascar, Malawi, Niger, and Rwanda co-financed at an amount significantly higher than the GAVI minimum.
- **7** countries were exempted from their co-financing requirements for the following reasons (see Annex 3 for further information):
  - Guyana and Nicaragua were unable to co-finance because vaccines were unavailable or an agreement was not reached with the supplier (PAHO).
  - Cameroon, Cote d'Ivoire, DR Congo, and Mozambique all had extra stocks of tetravalent vaccine so they postponed the introduction of pentavalent until 2009.
  - Sri Lanka suspended the provision of pentavalent vaccine in 2008 due to Adverse Events Following Immunisation (AEFI). WHO conducted an evaluation and found no association between the events and the vaccine. Therefore, Sri Lanka reintroduced pentavalent in 2009 and confirmed it will co-finance the committed amount.

Because these seven countries were unable to co-finance due to circumstances beyond their control and they have all demonstrated commitment to meet the requirements in 2009, the Secretariat determined that these countries should be exempted from their co-financing requirements in 2008.

In addition, **six** countries (Burundi, Cameroun, Ghana, Tanzania, Yemen, and Zambia) co-financed GAVI supported vaccines in 2008 even though they were not required to do so according to the policy. Highlights from this group of countries are:

- The total amount co-financed was US\$ 8,363,855.
- The co-financed amount represented 10% of their total GAVI support.
- Tanzania, Yemen and Zambia co-financed at much higher levels than the GAVI minimum.
- 4 of the countries are in the “fragile state” or “poorest” categories.

### Helping countries emerge from default

By 1 January 2009, **nine** countries were in default: Central African Republic, Chad, Gambia, Guinea, Guinea Bissau, Kiribati, Lesotho, Niger and Pakistan. When the GAVI Secretariat contacted these countries they provided several reasons for being in default:

- political and social instability
- financial bottlenecks between ministries of finance and health
- issues of switching from tetravalent to pentavalent vaccines
- national procurement regulations
- misunderstanding of co-financing procedures

Throughout 2009 the GAVI Secretariat and IF&S Task Team members worked with these nine countries to bring them to compliance. Eight have now paid 100% of their co-financing requirements for 2008. The ninth, Central African Republic (a fragile country), has paid 80%.

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### Looking to the future

As 2008 was the first year of implementation of the co-financing policy, it is too early to draw any conclusions. However, it is important to highlight the following preliminary impressions:

- By using their limited resources for co-financing, countries confirm that new vaccines are a priority intervention. In planning, budgeting, and executing the procurement of these new vaccines with their national resources, countries also demonstrate ownership of the process.
- Many countries also demonstrated their ownership of the co-financing policy through active participation in a co-financing workshop organized by UNICEF for 16 countries from the African region. Participants gave very positive feedback of the policy in this session and recommended improvements in several areas of the policy.
- Many governments took the independent initiative to co-finance at levels above the GAVI minimum or chose to co-finance when it was not required. This highlights the importance of these new vaccines to countries and underscores their commitment to long-term financial sustainability.
- The ongoing monitoring of co-financing by the IF&S Task Team and actions taken by partners was essential to ensure that no countries are in default in the first year of implementation.
- For 2009, 28 out of the 51 countries required to co-finance have fully met the requirements.

### Post 2010 co-financing levels

As previously mentioned, the current co-financing levels are approved until 2010. The Board requested a policy review after two years of implementation. The aim of the review will be to conduct a comprehensive assessment of the policy and to provide countries with a clear set of co-financing levels beyond 2010 in line with clearly articulated strategic and policy objectives. The review will include an analysis of:

- Affordability of vaccines and co-financing levels
- Vaccine price trends and pipeline
- Alignment of co-financing policy with new the eligibility policy
- Financial impact to GAVI
- Countries' abilities to achieve financial sustainability of new vaccines in the long term

Countries have experienced varying health budget cuts as a result of the current global financial crisis and have struggled to fulfil their co-financing commitments. They will need at least a 12 month notice of the revised co-financing levels in order to include it in their national budgets.

There are two options for establishing 2011 co-financing levels:

1. maintain 2010 levels
2. use the 2011 "tentative levels" presented in guidelines and tools. The tentative levels present a slight increase from the 2008-2010 levels. (See Annex 3 figures in red)

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The “tentative levels” in Option 2 were developed as an orientation for countries to conduct long term planning and forecasting. However, there was no comprehensive analysis conducted to justify the increase or to assess the financial impact on countries.

The GAVI Secretariat, upon the advice of the Immunisation Financing & Sustainability (IF&S) Task Team, recommends maintaining 2010 co-financing levels in 2011. Given the global financial crisis that is currently affecting countries, it could be seen as irresponsible to propose an increase in co-financing levels without comprehensive analysis and robust justification. Furthermore, this option will be easiest to communicate to countries.

**ANNEX 1****Co-financing levels – ‘Tentative values’ in red****LOWEST INCOME GROUP - Minimum country's co-payment per dose of co-financed vaccine.**

Order of co-financed vaccine	2009	2010	2011	2012	2013	2014	2015
1 <sup>st</sup> co-financed vaccine	\$0.20	\$0.20	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
2 <sup>nd</sup> co-financed vaccine	\$0.15	\$0.15	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20

**INTERMEDIATE GROUP - Minimum country's co-payment per dose of co-financed vaccine.**

Order of co-financed vaccine	2009	2010	2011	2012	2013	2014	2015
1 <sup>st</sup> co-financed vaccine	\$0.30	\$0.30	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40
2 <sup>nd</sup> co-financed vaccine	\$0.15	\$0.15	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20

**FRAGILE GROUP - Minimum country's co-payment per dose of co-financed vaccine.**

Order of co-financed vaccine	2009	2010	2011	2012	2013	2014	2015
1 <sup>st</sup> co-financed vaccine	\$0.10	\$0.10	\$0.15	\$0.15	\$0.15	\$0.15	\$0.15
2 <sup>nd</sup> co-financed vaccine	\$0.15	\$0.15	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20

**LEAST POOR GROUP - Minimum country's co-payment per dose of co-financed vaccine.**

Order of co-financed vaccine	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year	6 <sup>th</sup> year	7 <sup>th</sup> year
1 <sup>st</sup> co-financed vaccine	\$0.30	\$0.35	\$0.40	\$0.46	\$0.53	\$0.61	\$0.70
2 <sup>nd</sup> co-financed vaccine	\$0.15	\$0.17	\$0.20	\$0.23	\$0.26	\$0.30	\$0.35

**ANNEX 2****Countries that co-financed in 2008**

Country	Vaccine	Total GAVI value	Country co-financing value
Benin	YF	\$253,000	\$212,582
Bolivia	Rota	\$1,192,000	\$903,000
Chad	YF and Penta	\$2,570,500	\$166,000
Congo	Penta	\$1,898,000	\$36,901
Honduras	Rota	\$3,183,372	\$111,303
Kenya	YF and Penta	15,621,000	\$1,979,052
Kiribati	Penta	\$12,500	\$5,579
Liberia	YF and Penta	\$2,096,500	\$117,831
Madagascar	Penta	\$5,499,000	\$708,915
Malawi	Penta	\$5,088,000	\$550,000
Mali	YF	\$355,000	\$118,787
Moldova	DTP-Hib	\$294,000	\$33,399
Niger	YF and Penta	\$5,439,000	\$1,620,325
Rwanda	Penta	\$2,736,500	\$587,985
Sierra Leone	YF	210,000	\$56,008
Solomon Islands	Penta	\$101,500	\$7,066
Sudan North	Penta	\$15,411,000	\$581,952
Tajikistan	Penta	\$1,050,500	\$110,903
Togo	Penta	\$1,570,500	\$75,304
Uganda	Penta	\$14,085,500	\$938,292
CAR	YF	1,069,500	\$41,483
Guinea	Penta	1,137,500	\$54,127
G. Bissau	YF and Penta	699,000	\$42,000
Pakistan	Penta	36,439,000	\$3,192,500
Gambia	DTP-Hib	654,500	\$41,000
Lesotho	Penta	339,500	\$19,500
<b>Total</b>		<b>\$119,006,372</b>	<b>\$12,311,794</b>
<b>Co-finance as %</b>	<b>10%</b>		

**Highly Committed (countries not required to co-finance in 2008)**

Burundi	Penta	4,180,500	\$134,841
Cameroun	YF	259,000	\$120,500
Ghana	YF	12,324,000	\$232,907
Tanzania	DTP-Hep B	498,000	\$3,924,179
Yemen	Penta	6,619,000	\$1,743,656
Zambia	Penta	14,085,500	\$2,207,772
<b>Total</b>		<b>\$37,966,000</b>	<b>\$8,363,855</b>
<b>Co-finance as %</b>	<b>22%</b>		

**ANNEX 3****Countries with special circumstances**

Country	Vaccine	Total GAVI value	Country co-financing value	Comments
Cameroun	Penta	\$4,639,000	\$199,000	Delayed the introduction of Pentavalent to January 2009
	<b>Total</b>		<b>\$199,000</b>	
Cote d'Ivoire	Penta	\$3,557,000	\$98,500	Delayed the introduction of Pentavalent to January 2009
	<b>Total</b>		<b>\$98,500</b>	
DR Congo	Penta	\$15,531,000	\$428,500	Delayed the introduction of Pentavalent to January 2009
	<b>Total</b>		<b>\$428,500</b>	
Guyana	Pneumo	\$249,500	\$16,000	There was no supply of Pneumo vaccine available to the country. Also the PAHO-GAVI procurement agreement for Rota was too late in the year so the country decide to postpone until 2009
	Rota	\$207,000	\$5,500	
	<b>Total</b>	<b>\$456,500</b>	<b>\$21,500</b>	
Mozambique	DTP-Hep B	\$1,490,000	\$499,500	Delayed the introduction of Pentavalent and had extra stocks so didn't need vaccines in 2008
	<b>Total</b>	<b>\$1,490,000</b>	<b>\$499,500</b>	
Nicaragua	Pneumo	\$2,139,500	\$135,000	There was no supply of Pneumo vaccine available to the country
	<b>Total</b>	<b>\$2,139,500</b>	<b>\$135,000</b>	
Sri Lanka	Penta	\$5,067,000	\$444,000	Suspended the introduction of Pentavalent in 2008. They will resume in 2009 and co-finance
	<b>Total</b>		<b>\$135,000</b>	