

VII and Revolving Fund Expansion

Informal Board Session
January 2015



Vaccine Independence Initiative (VII) Summary of Proposal

Recommendation

- Approve a 5-year extension, 2016-2020
- Amend:
 - Allow the capital base to increase from \$10M to \$100M, subject to availability of specific-purpose contributions
 - Expand applicability to other supplies
 - Expand applicability to support special contracting arrangements to reduce prices or secure supply

If approved, the next step would be to seek specific-purpose contributions

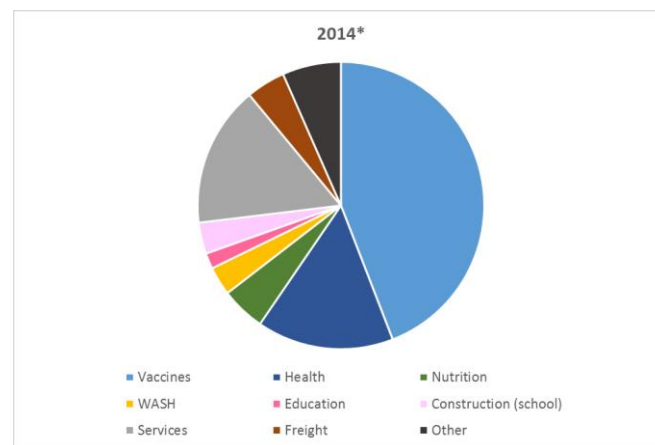
UNICEF Annual Procurement Overview

	2013	2014* (prelim. numbers)
Total Procurement	\$2.8 billion	\$3.4 billion

“Procurement Services”

Of the total, \$1.4 billion and \$1.7 billion was procurement on behalf of Governments and other development partners for 2013 & 2014 respectively.

USD	2013	2014*
Vaccines	1,300,000,000	1,500,000,000
Health	430,000,000	525,000,000
Nutrition	170,000,000	170,000,000
WASH	90,000,000	110,000,000
Education	60,000,000	60,000,000
Construction (school)	70,000,000	120,000,000
Services	480,000,000	540,000,000
Freight	101,000,000	150,000,000
Other	99,000,000	225,000,000



VII Background

- Launched in 1991 via Executive Board decision and extended every five years since
- A financial mechanism to ensure sustainable vaccine supply for countries finance their own vaccine needs.
- Flexible credit terms allow country to pay after the vaccine is received.
- A Capital Fund acts as the financial security while awaiting payment.
- A country's 'ceiling' sets the maximum amount which may be owed to UNICEF at any point in time.
- At \$8.9 million, the Capital Fund represented 13% of the \$70 million in annual vaccine procurement at the time

VII Current Use

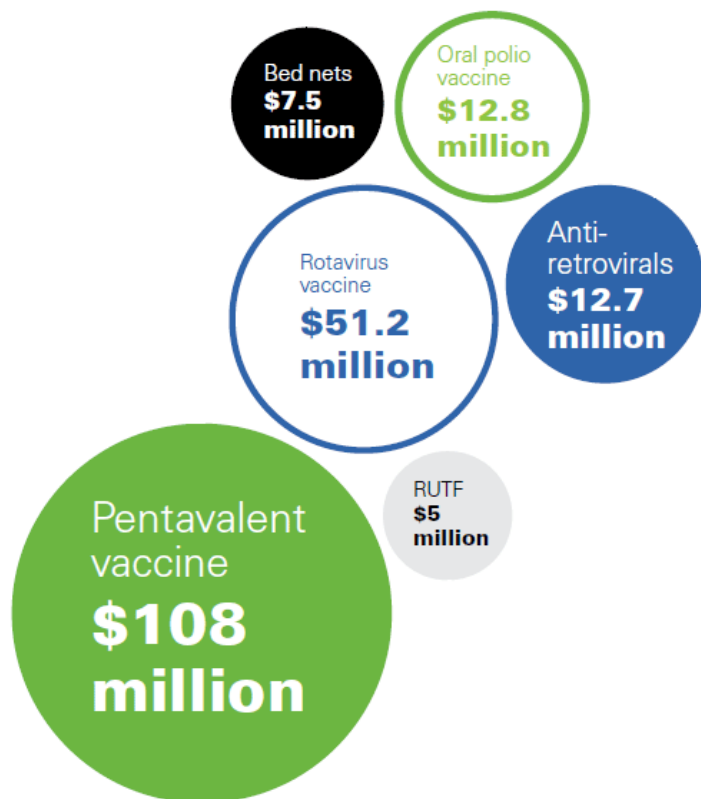
- Used for traditional vaccines, new vaccines, syringes, needles and cold chain equipment
- Since 1991, only 1 default, which was subsequently remedied. All original contributions remain intact.
- Currently 17 Subscribing Countries; others are initiating (e.g., PICs, Niger, Kenya, Nigeria, Chad, Cape Verde)
- Recent Developments
 - Internal UNICEF mechanism management change
 - \$1.1m grant approved to take to maximum authorization of \$10m

Increasing & Unmet Pre-Financing Need

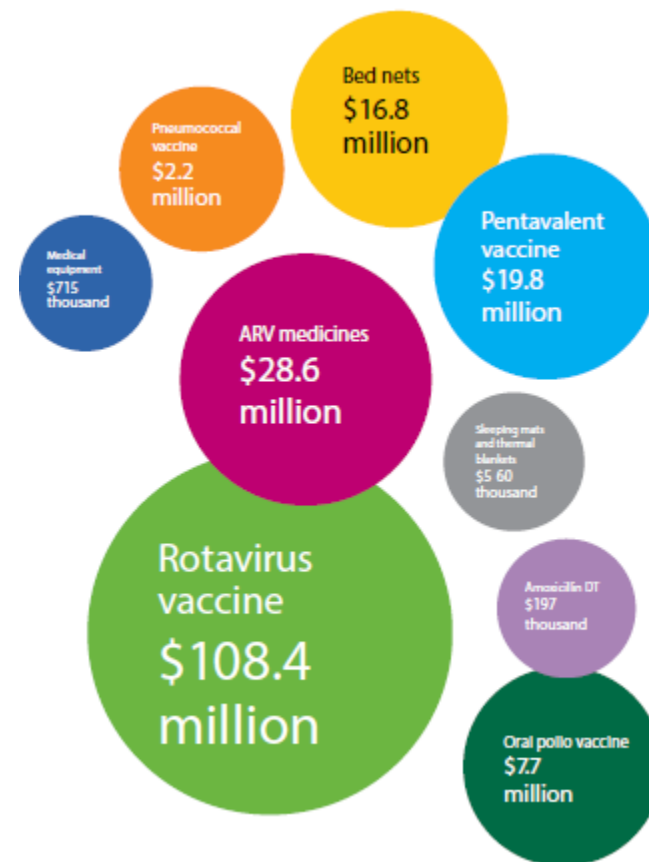
- UNICEF is receiving ~\$100 million of bridge financing requests (annually)
 - ~50% vaccine-related (all non-GAVI), but increasing share of LLINs, RUTF, medicines
 - The number of vaccines used by countries has expanded and new vaccines are more expensive
 - Only ~40% of the requests are met through *ad hoc* pre-financing
 - 22 Governments taking over new vaccines costs from GAVI in the next 5 years, the vaccine pre-financing needs will also increase
 - Expected pre-financing needs to continue at >\$100 million going forward
- When pre-financing is successful, commodities are made available on average 3–4 months sooner than otherwise possible (sometimes longer)
- Savings of ~\$200 million per year are being obtained via special contracting terms requiring special financing

Special contracting arrangements are a major source of savings

2012 savings: \$197 million



2013 savings: \$170 million



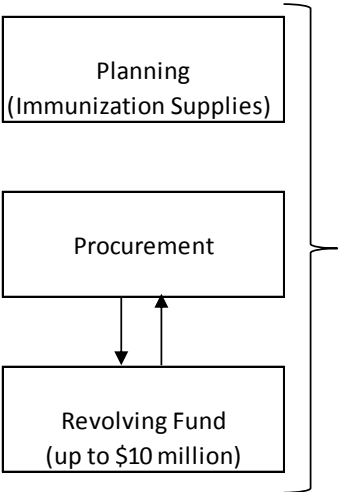
Savings are realized for Procurement Services and UNICEF procurement

Revolving Fund Expansion Proposal

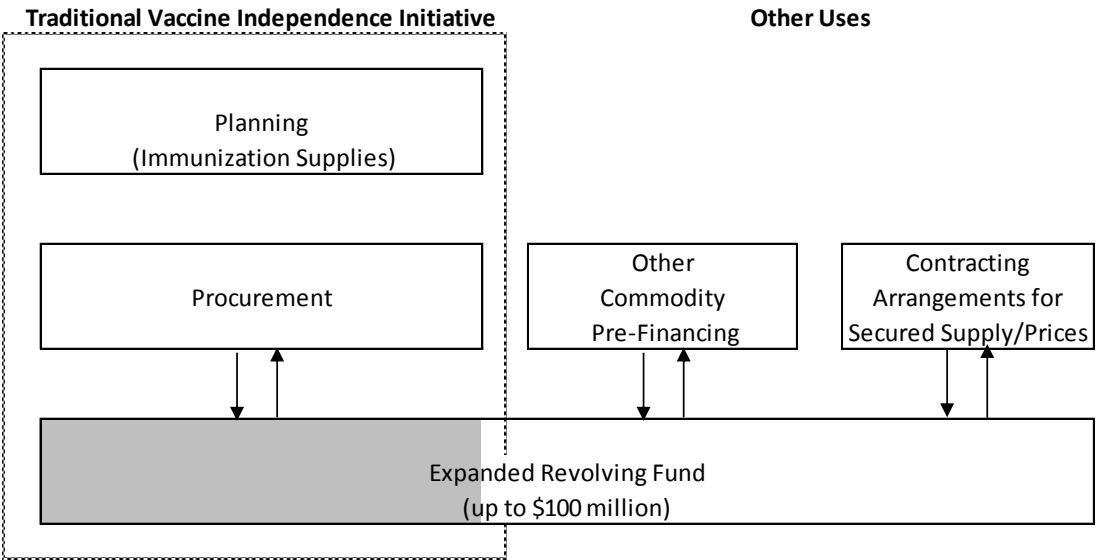
- Expansion of authorized underlying capital base to “\$100 million” (from current “\$10 million”), subject to raising funds through specific contributions.
- Support pre-financing of other commodities (expect initial focus on RUTF/Nutrition, LLIN requests, Medicines, Ebola, as needed).
- Special contracting to support improved pricing and secured supply of commodities.
 - Special contracting is primary contributor to an expected \$810 million in savings from 2012-2017.

Revolving Fund Expansion – Revised Structure

Current Vaccine Independence Initiative



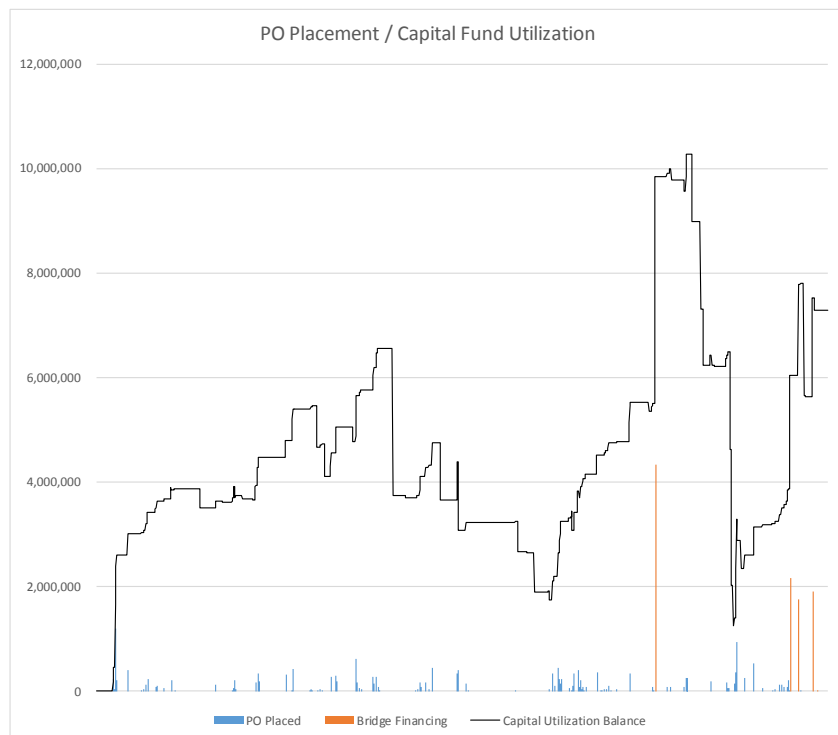
Recommended Revised Structure



Thank you!



VII Utilisation: 2010 - 2014



- Moderate use of the existing capital base until 2014, where it accelerated due to increased attention
- Current Subscribers include:
 - Kenya
 - Chad
 - Niger
 - Capo Verde
 - 13 Pacific Island Countries

	POs Placed	Bridge Financings	Total Utilization
2010	4,390,972	0	4,390,972
2011	4,593,336	0	4,593,336
2012	1,967,599	0	1,967,599
2013	4,727,294	4,332,200	9,059,494
2014	4,836,745	5,837,317	10,674,062

Turns (vs. Allocated Ceiling)

Turns (vs. Available Capital)

0.9x

0.5x

1.0x

0.5x

0.4x

0.2x

2.0x

1.0x

2.3x

1.2x

Pre-Financing Requests

