Informal Board Session
January 2015

VII and Revolving Fund Expansion
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

<table>
<thead>
<tr>
<th>Total Procurement</th>
<th>2013</th>
<th>2014* (prelim. numbers)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.8 billion</td>
<td>$3.4 billion</td>
</tr>
</tbody>
</table>

“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.

<table>
<thead>
<tr>
<th>USD</th>
<th>2013</th>
<th>2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaccines</td>
<td>1,300,000,000</td>
<td>1,500,000,000</td>
</tr>
<tr>
<td>Health</td>
<td>430,000,000</td>
<td>525,000,000</td>
</tr>
<tr>
<td>Nutrition</td>
<td>170,000,000</td>
<td>170,000,000</td>
</tr>
<tr>
<td>WASH</td>
<td>90,000,000</td>
<td>110,000,000</td>
</tr>
<tr>
<td>Education</td>
<td>60,000,000</td>
<td>60,000,000</td>
</tr>
<tr>
<td>Construction (school)</td>
<td>70,000,000</td>
<td>120,000,000</td>
</tr>
<tr>
<td>Services</td>
<td>480,000,000</td>
<td>540,000,000</td>
</tr>
<tr>
<td>Freight</td>
<td>101,000,000</td>
<td>150,000,000</td>
</tr>
<tr>
<td>Other</td>
<td>99,000,000</td>
<td>225,000,000</td>
</tr>
</tbody>
</table>
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

- Bed nets $7.5 million
- Oral polio vaccine $12.8 million
- Rotavirus vaccine $51.2 million
- Anti-retrovirals $12.7 million
- RUTF $5 million
- Pentavalent vaccine $108 million

2013 savings: $170 million

- Bed nets $16.8 million
- Pentavalent vaccine $19.8 million
- ARV medicines $28.6 million
- Rotavirus vaccine $108.4 million
- Oral polio vaccine $77 million
- Shaping mats and thermal blankets $60 thousand
- Mosquito bed nets $715 thousand
- Medical equipment $715 thousand

Saving 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

- Planning (Immunization Supplies)
- Procurement
- Revolving Fund (up to $10 million)

Recommended Revised Structure

Traditional Vaccine Independence Initiative

- Planning (Immunization Supplies)
- Procurement
- Expanded Revolving Fund (up to $100 million)

Other Uses

- Other Commodity Pre-Financing
- Contracting Arrangements for Secured Supply/Prices

Immunization Supplies

(Immunization Supplies)
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

<table>
<thead>
<tr>
<th>Year</th>
<th>POs Placed</th>
<th>Bridge Financings</th>
<th>Total Utilization</th>
<th>Turns (vs. Allocated Ceiling)</th>
<th>Turns (vs. Available Capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4,390,972</td>
<td>0</td>
<td>4,390,972</td>
<td>0.9x</td>
<td>0.5x</td>
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<tr>
<td>2011</td>
<td>4,593,336</td>
<td>0</td>
<td>4,593,336</td>
<td>1.0x</td>
<td>0.5x</td>
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<tr>
<td>2012</td>
<td>1,967,599</td>
<td>0</td>
<td>1,967,599</td>
<td>0.4x</td>
<td>0.2x</td>
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<tr>
<td>2013</td>
<td>4,727,294</td>
<td>4,332,200</td>
<td>9,059,494</td>
<td>2.0x</td>
<td>1.0x</td>
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<tr>
<td>2014</td>
<td>4,836,745</td>
<td>5,837,317</td>
<td>10,674,062</td>
<td>2.3x</td>
<td>1.2x</td>
</tr>
</tbody>
</table>
Pre-Financing Requests

Pre-Financing Requests by Commodity Type: 2012-2014

- Oral Polio Vaccine (OPV)
- Inactivated Polio Vaccine (IPV)
- Routine Immunization
- Measles Vaccine
- MNT
- Injection Devices
- Cholera Vaccine Stockpile
- Essential Medicines
- Antibiotics for Pneumonia
- ORS-Zinc
- PMTCT
- RUTF
- RUTF Stockpile
- LUN
- Education Supplies
- Prepositioning NFIs (Refugees)
- Ebola-Related
- WASH