

Financial and Budget Update

*Accommodating Additional Costs
within the \$5.5 Billion 'Endgame' Envelope (2013-18)*

Discussion of IMB Recommendation on Budget and Finance

Polio Partners Group (PPG) Meeting, Geneva
16 June 2014

GPEI Funding Gap *as of February 2014*

Funding Gap USD millions	2013-2018 Feb 2013 (pre-Vaccine Summit)		2013-2018 Feb 2014	
Funding Required (FRRs)	\$	5,525	\$	5,525
Confirmed Funding	\$	395	\$	1,834
Pledged Funding	\$	-	\$	2,698
Projected Funding	\$	3,100	\$	430
'Best Case' Funding Gap	\$	2,030	\$	563

- **Funding Gap** = public messaging, and public recognition of contributions, for the full period covered by the Strategic Plan. The Funding Gap is updated when FRR publications are issued.
- **Confirmed Funding** = signed agreements
- **Pledged funding** = balance of Abu Dhabi Summit commitments (and subsequent pledges)
- **Projected funding** = projections based on historical giving, not captured in the categories above

GPEI Cash Gap for 2014 *as of May 2014*

all figures in USD millions

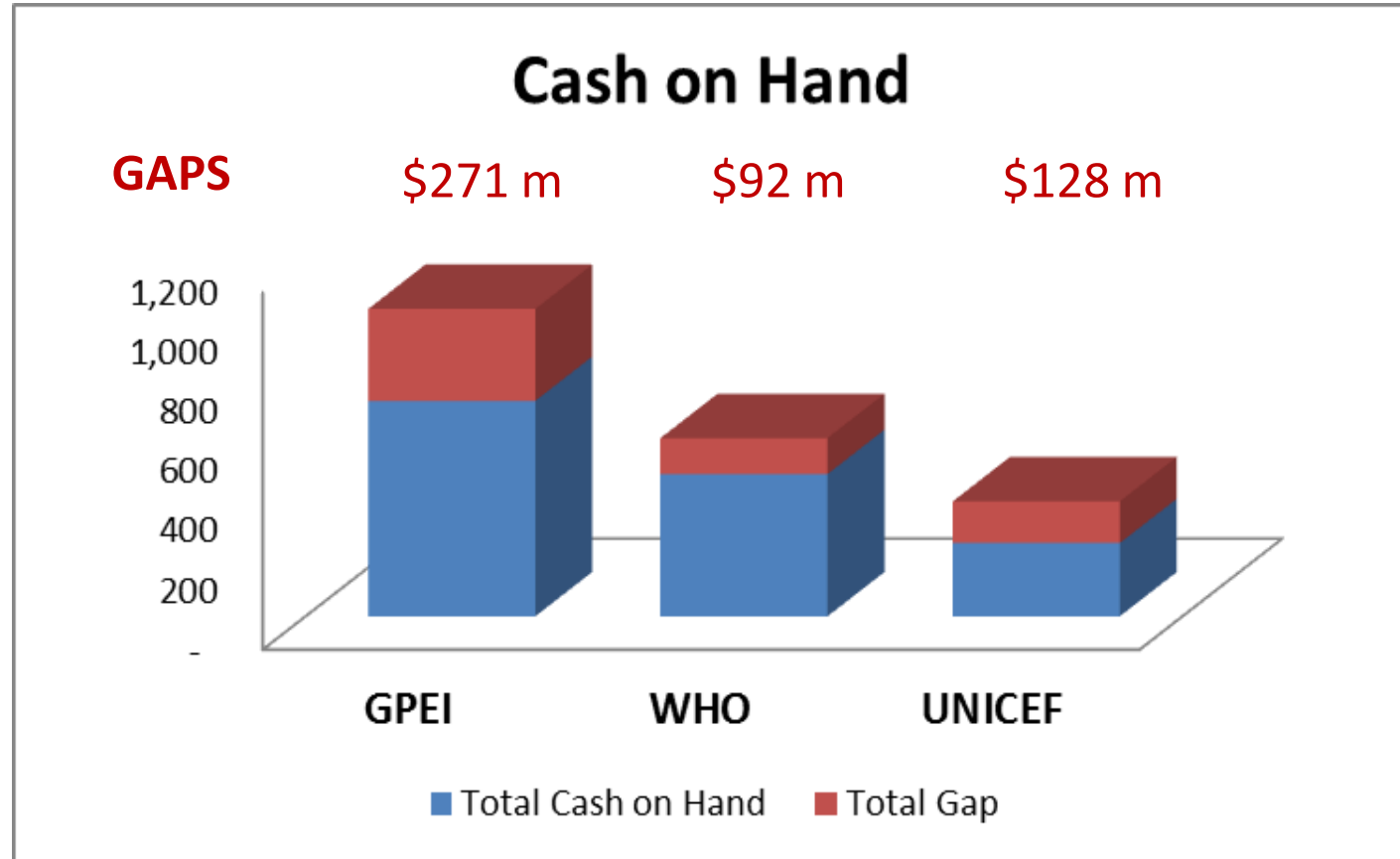
Cash gap =

GPEI's internal operating position in the near term

Cash on hand =

funds available for expenditure / cash position

- WHO: signed agreements or cash payments
- UNICEF: cash payments only



Note: \$51 M for IPV introduction costs through GAVI included in GPEI total Gap

Other definitions:

- Allocated pipeline = clarity on proposed allocations, no signed agreement, no cash on hand
- Pledges under negotiation = no clarity on allocations, no signed agreement, no cash on hand

Proposed budget increases *as of June 2014*

1. additional outbreak response activities are needed in 2014 to ensure transmission is stopped in the Horn of Africa, Middle East & Central Africa;
2. additional OPV campaigns, in high-risk areas & areas historically affected by importations, could help optimize the possibility to stop polio in Africa in 2014;
3. additional IPV introduction costs based on the outcomes of the UNICEF tender & early introduction plans;
4. 'surge capacity' to be sustained through 2016 due to persistence of polio in Pakistan, Nigeria & outbreaks.

Breakdown of budget increases

Cost		Impact on 2013-2018 budget
Additional OPV campaigns for June-Dec 2014		+ US\$ 143 M
1) <i>Active outbreaks areas</i>	44%	
2) <i>Historic amplifiers of imported virus & persistent transmission areas</i>	21%	
3) <i>Other at-risk, polio-free areas (i.e. no type 1 cases for > 3 years)</i>	35%	
Revised IPV introduction costs based on final UNICEF tender outcome		+ US\$ 67 M
Extended 'surge' into 2015-16 (esp. in Pakistan & Nigeria) *		+ US\$ 11 M
Total increase over Feb budget		+ US\$ 221 M

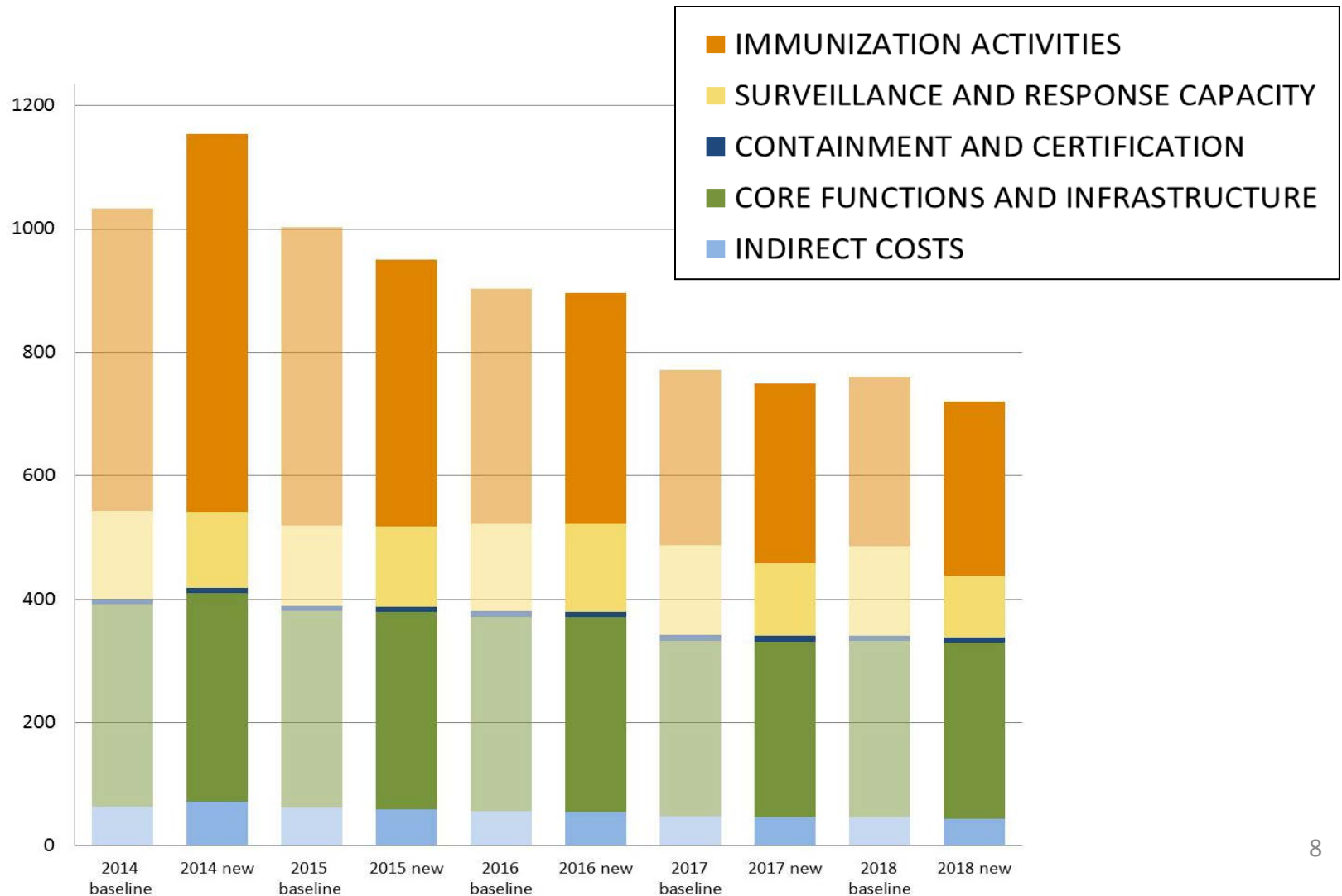
* The total increase in surge capacity from 2014-16 is \$72M, of which \$11M exceeds budget space

Proposed budget adjustments to remain within the \$5.5 billion budget envelope

MAJOR BUDGET ADJUSTMENTS	Use in 2014	Reallocation of 2015-16 budget	Reallocation of 2017-18 budget	TOTAL	Remaining flexible budget space (2015-18)
Utilize existing & future flexible budget space for OPV campaigns (i.e. 'complementary campaign budget line)	\$ 22 M	\$ 95 M	\$ 11 M	\$ 128 M	\$ 0 M
Reduce future 'Emergency Response' budget space	\$ 20 M	\$ 0 M	\$ 73 M	\$ 93 M	\$ 189 M
TOTAL BUDGET ADJUSTMENTS	- \$ 42 M	- \$ 95 M	- \$ 84 M	+ \$ 221 M	\$ 189 M

Impact of proposed budget adjustments on annual 'Endgame' expenditures

(faded bars reflect original budget)



Implications of budget adjustments

Positive

- accommodates increased OPV campaign costs in 2014
- allows front-loading of activities to:
 - mitigate risks to interrupt transmission (esp in Africa)
 - boost immunity in polio-free areas in Africa
 - accelerate IPV introduction
- remains within \$5.5 B budget envelope

Negative

- reduces short-term flexibility (2014) at time of international spread (PHEIC)
- eliminates capacity for additional 'complementary campaigns' to:
 - boost immunity prior to pre- tOPV-bOPV switch
 - adjust to major epidemiology changes in the next 24 months
- reduces long-term flexibility for post tOPV-bOPV switch outbreaks & other activities (e.g. IPV campaigns, filling stockpile bulk)

Impact of proposed budget adjustments on future budget flexibility

	Current flexible budget space (2014-18)	Net reduction in flexible budget space	Remaining flexible budget space (2015-18)
Complementary Campaigns	\$ 128 M	\$ 128 M	\$ 0 M
Emergency Response	\$ 282 M	\$ 93 M	\$ 189 M
Total budget adjustments	\$ 410 M	\$ 221 M	\$ 189 M

NOTE: In addition, unallocated quality improvements (QI) budget space has been reduced from \$151M to \$90M to support sustained 'surge capacity' through 2016. Total remaining flexible budget space is thus \$279M when remaining emergency response (\$189M) and unallocated QI (\$90M) are combined.

Impact on the GPEI cash position in 2014

Current cash gap:	\$271 million
<u>Net increase in 2014 budget:</u>	<u>\$121 million</u>
Revised 2014 cash gap:	\$392 million
<u>Allocated pipeline funds for Q3-4:</u>	<u>\$249 million*</u>
Remaining 2014 cash gap:	\$143 million
<i>Other pledges under negotiation:</i>	<i>\$148 million**</i>

**Q4 2014 allocated pipeline will not arrive in time to meet Q3 2014 requirements. Additional work would be required to bring Q4 pipeline funds forward to Q3 2014. Impact of specified funding requires review. Total includes \$157 million from May 2014 cash gap analysis plus BMGF unallocated \$92 million.*

*** HNWI; BMGF; Rotary (June 2014 IPPC)*

Risks of future budget overruns

Major risks of future budget overruns	Impact	Cost implications	Mitigation Strategy
Delays in interruption of polio in Nigeria (beyond end-2014)	Continue full OPV campaigns in Africa for an additional year	\$500 to \$700 M	Concentrate action to interrupt polio in Nigeria in 2014
Delays in interruption of polio in Pakistan (beyond mid-2015)	Continue full OPV campaigns in Pakistan & Afghanistan by one year	\$300 to \$500 M	Explain broader implications of NWZ to Pakistan leadership
12 months delay to implement the tOPV-bOPV switch (to 2017)	Additional tOPV campaigns in 2017	Under evaluation	Ensure sufficient tOPV campaigns to stop cVDPV2s in Nigeria & Pakistan to allow tOPV-bOPV switch in 2016

IMB May 2014 recommendation on budget and finance

"We recommend that current concerns and unease about the transparency and communication of the polio eradication budget are properly and openly addressed.

This might best be achieved by a frank discussion at the Polio Oversight Board."

Specific issues identified

in follow-up with IMB members & secretariat

1. More details on allocations and cash gaps against budget lines
2. Clear reporting on domestic contributions
3. Reporting on expenditure against budgets
4. Split of costs for polio eradication versus routine immunization
5. More information on IPV introduction: relationship of funds to GAVI vis-a-vis GPEI budget, whether all vaccine costs are included in the GPEI budget.

2013 GPEI expenditure (example)

WHO actual expenditures against budget

WHO 2013 external resources requirements per FRR: \$557M

TOTAL GPEI 2013 FRRs: \$988M (\$1.053B including PSC)

2013 expenditure from WHO financial systems as of end-March 2014:

- Global WHO expenditures and encumbrances against Polio workplans: \$479M
- Global WHO expenditures /encumbrances against Polio in RI workplans: \$5M*
- Expenditure against WHO FRR costs by Government of Nigeria: \$22M
- Other in kind / in service contributions: \$3M

End of March estimate of 2013 WHO expenditure: \$509M

Notes:

- Similar information to be reported by UNICEF
- Once WHO information is verified by WHO Accounts, details of expenditure by country and budget category will be available
- WHO Middle East outbreak expenditures were funded by countries from other local sources and are not fully reflected in this statement
- * Polio expenditure in RI workplans may be understated as some polio contributions to RI may be done under non-polio tasks;

Feedback requested from the PPG

- Feedback requested from the PPG on the IMB recommendation regarding the clarity of GPEI financial information.
- What specific improvements could be made?
 - What currently works well?
 - What currently doesn't work well?
 - What is missing that should be provided?