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GAVI eligibility graduation procedures

Introduction/background

Since GAVI's inception, a simple metric and threshold have been used to define country eligibility: GNI per capita ≤ $1,000. However, there are no formal or explicit procedures to guide countries as changes in their income causes them to transition from eligible to ineligible; i.e. no procedures for "graduation". This has created uncertainty for, and potentially inhibited decision-making by GAVI-eligible countries.

The current absence of graduation procedures creates three major difficulties for countries. First, the uncertainty over when eligibility might be updated and what graduation would entail make planning for graduation difficult, if not impossible. Second, when GAVI support ends, it ends abruptly. Finally, graduating countries may face considerably higher and unpredictable prices for some vaccines, particularly newer vaccines for which prices for middle-income countries can be much higher than GAVI prices. The graduation policies proposed here seek to address these three difficulties and cushion the transition from GAVI support to self-financing. Resolving these issues is particularly important given the recommendation to update GAVI's eligibility policy for the first time since 2004 and to institute a process of rolling annual updates.

The number of countries that will graduate when new eligibility policies come into effect will depend on which eligibility threshold is chosen and how incomes per capita evolve. Based on World Bank projections of income growth, analysis suggests that about 20-25 countries would graduate between 2011 and 2020 if the threshold were GNI per capita ≤ $1,500, and 15-20 if it were GNI per capita ≤ $2,000. These are substantial numbers, so the need for clear and supportive graduation policies is apparent. 7-14 of these countries would graduate in 2011 (when the eligibility policy will take into effect), but countries would lose eligibility in subsequent years as their real GNI per capita surpasses the new eligibility threshold, which will be updated annually to adjust for inflation. The projections show that typically, roughly one country would graduate per year.

Process

This work was undertaken as part of the GAVI Board requested eligibility policy review and was also overseen by the Programme and Policy Committee (PPC). The analytical work was carried out by the Secretariat, with the support from the Results for Development Institute and was overseen by the PPC appointed time-limited task team, the Eligibility Task Team.

The analytical work to inform the development of the proposed graduation procedures involved a review of graduation policies at other large international funding institutions, a case study of a country that graduated when eligibility policies were last updated, and based on the consultations undertaken as part of the eligibility policy revision.

Findings

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Most of the funding organisations whose policies were reviewed by the study team[1] have developed clear graduation policies and procedures. Typically once a country crosses the eligibility threshold, countries are informed of their new status and the rules that apply to future support. Most organisations have a one to three year grace period during which time countries can continue to apply for new support. For example, graduating countries retain some access to World Bank IDA credits for several years, although on somewhat hardened terms. In general, for organisations that primarily use GNI per capita as their central eligibility criteria, most structure graduation policies such that a country can regain eligibility if its economic conditions deteriorate and its GNI per capita falls below the relevant threshold (See Annex 1 for a summary of graduation policies used by other organisations).

Because GAVI has had no clear standard or schedule for updating the eligibility threshold or revisiting the list of eligible countries, and no formal graduation policies, countries that previously graduated from GAVI eligible status have not been dealt with consistently. Three main conclusions emerged from the review of GAVI's current policies, policies of other institutions, and consultations with partners and stakeholders:

1. *The need for clear policies on existing commitments and new applications*
   Under the current system, because of the lag between the submission of applications and final approval, graduating countries can be in a situation where they start receiving new support several years after they have graduated.
2. *The need for clear communication*
   In the past, countries have not been clearly informed of their eligibility status and what graduation entails.
3. *The need to drive towards financial sustainability and access low prices*
   Most importantly, graduating countries face a double–edge sword; after multi-year commitments end, they lose both GAVI funding and access to GAVI prices. This can impair a country's ability to sustain existing immunisation programmes or introduce new vaccines.

On the basis of these findings, the PPC requests that the Board approve the following procedures for graduation:

- When a country's per capita income exceeds the eligibility threshold, **GAVI would inform the country that it has entered the graduation process** and spell out in detail what this entails
- Subject to funding availability, **GAVI will honour all existing multi-year commitments to countries in the graduation process** for the duration of current multi-year plans, and at a minimum up to 2015 for NVS
- **Countries that enter the graduation process will not be able to submit new applications or resubmit previously rejected applications for any of GAVI's funding windows**

[1] Asian Development Bank (ADB), African Development Bank (AfDB), Global Drug Facility (GDF), Global Environment Facility (GEF), The Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM), European Union (EU), Inter-American Development Bank (IDB), Millennium Challenge Corporation (MCC), United Nations Population Fund (UNFPA), The U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the World Bank International Development Association (IDA) Credits.

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- **Countries that enter the graduation process** will have one year to finalise applications that received conditional recommendation from the IRC prior to the country graduating
- If subsequent to graduation **a country's GNI per capita falls below the eligibility threshold, the country would regain its GAVI eligible status**

Regarding the need to drive towards financial sustainability and access low prices, the PPC recognised that more work was necessary and recommend that GAVI should explore a two-part solution:

i. **Facilitating access to predictable and affordable prices for graduating countries after GAVI support ends**

ii. **Providing of a short additional period of flexible financial support for graduating countries** after GAVI support ends to ease the transition to country self-financing.

Next steps and further work

Establishing clear communications processes with countries can help ensure that countries understand their status and its implications. The exact nature of these communications will be defined within an implementation-planning phase of this work.

Given that the new eligibility policy will be implemented in 2011 and that all existing commitments are expected to be extended through 2015, the most complex aspects of the options presented here (namely the flexible transition support to help achieve financial sustainability and access to affordable vaccine prices) would only need to take effect in 2016. As a result, the Secretariat, together with the UNICEF Supply Division, and other partners and stakeholders has time to explore these issues through its planned analytical work (e.g. the co-financing policy revision) and in collaboration with initiatives such as the Bill & Melinda Gates Foundation and WHO project on 'Constraints to New Vaccine Adoption in Lower Middle Income Countries'.

ANNEX 1

Graduation Policies Used by Other Funding Organisations

The Study Team reviewed the country eligibility criteria and graduation policies of 11 other international funding organisations to provide insights for GAVI's revision of its own policies: Asian Development Bank (ADB), African Development Bank (AfDB), Global Drug Facility (GDF), Global Environment Facility (GEF), The Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM), European Union (EU), Inter-American Development Bank (IDB), Millennium Challenge Corporation (MCC), United Nations Population Fund (UNFPA), The U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the World Bank International Development Association (IDA) Credits. This short synthesis draws on detailed descriptions prepared of these 11 organisations' practice, which are available upon request.

Most of the organisations reviewed have developed a clear graduation policy for countries. A gradual process helps ensure rational planning at these organisations and prevents sudden termination of funding which could undermine the development interests of the country. In 2008 the Global Fund introduced a one-year grace period for countries whose income moves up from one income category to another (e.g. from Low Income Country (LIC) to Lower Middle Income Country (LMIC)) between funding rounds, which typically occur annually**.** Countries in this situation can apply for funding from the Global Fund (including those with existing grants applying for renewals in the third year of the proposal) as if their income classification had not changed.

Using a different approach, the Asian Development Fund (ADF), which is the funding arm for the poorest member countries of the Asian Development Bank (ADB), applies a four-year graduation process to a country from the time its GNI per capita exceeds the ADF's eligibility threshold and achieves creditworthiness. A country can regain eligibility if its economic conditions deteriorate and the GNI per capita falls below the respective threshold. In regard to World Bank IDA graduation policy, when a country's GNI per capita exceeds the IDA eligibility threshold for more than two consecutive years, the country enters a graduation process, still having access to IDA credits but on somewhat hardened terms[2] for several years.

Implications for GAVI's Graduation Policies

- GAVI could usefully define a clear and predictable graduation policy for countries that become ineligible so that the progress achieved by country immunisation programs using GAVI support is not undermined.
- Similar to other graduation policies, when countries exceed the GNI per capita threshold, they could enter a defined multi-year graduation process during which they would still access some form of support to help ease the transition to self-financing. Further, countries could regain eligibility if their GNI per capita falls below the threshold.

[2] IDA's terms are highly concessional—no interest, and a 10 year grace period on repayment, with repayment occurring in years 11-40. Hardened terms refer to accelerated repayment over years 11-20.