

Phone conversation between GAVI (Alex Palacios) and GiveWell (Elie Hassenfeld and Natalie Stone) on February 14, 2012

GiveWell: We're hoping to understand both what GAVI's funding needs are, and, more generally, where the funding gaps are in immunizing children globally.

Alex Palacios: I came to GAVI from UNICEF 10 years ago. There are a number of options for supporting well-managed vaccine programs, depending on what approach you want to support – different models get different results.

UNICEF is one good option. I worked for 15 years raising resources for UNICEF, with immunization being a good portion of the work I did.

What distinguishes GAVI from other programs is that GAVI is more of a business-to-business model, which takes into account financial sustainability from the get go. Even very poor countries co-finance programs from the start, though the initial funding they provide is modest.

GAVI provides support over a longer period of time than other funders, which gives countries better ability to plan ahead and commit its own funds. I think this is a very important element. We seek to be catalytic. We support the challenging phase of incorporating new vaccines into the national immunization programs. There are few other programs that work on that basis.

We are spending 85% of our resources on a commodity that has its own market dynamics, and we work at a scale that allows us to shape that market so that we're getting the most affordable price possible for those vaccines and incentivizing the industry to develop and produce those vaccines.

GAVI is working at the national level in all of the ~60 countries we support. We make commitments to countries based on the number of children they've committed to reach with new vaccines. The challenge is because we need to make sure that the donor governments that pledged funds deliver on those pledges so we can meet our commitments to poor countries. The scale at which GAVI works is important to keep in mind.

GiveWell: The financial documents you sent state that GAVI has sufficient funding to cover expected demand through 2015, but that demand could rise. Are there particular regions/countries that you believe are most likely to have higher than expected demand for GAVI funding in 2012 or 2013?

Alex Palacios: Success begets success. We've seen demand rise over the years, and it will continue to rise. The bulk of GAVI support goes to sub-Saharan Africa and South Asia, and we're starting to zero in on the challenge of some of the largest population countries in the world: India, Nigeria, Pakistan, etc. There are 5 or 6 countries that are home to 85-90% of unimmunized children in the world's poorest countries. So, if we develop strategies to address the challenges in those countries, then that's where you'll see a lot of growth.

GiveWell: Is there documentation on the process you use to estimate this demand? Or is the process just: 'we know there are lots of unimmunized kids there. If we could overcome political and programmatic obstacles, demand would rise, and we would reach more.'

Alex Palacios: We are happy to share our demand forecast with you. It's updated every 6 months. There exists a robust demand forecast. Our experience is that demand rises.

Mercy can provide further information.

GiveWell: In the financial documents we've seen, problematic cash flow is not discussed. How big is the risk that GAVI could run out of cash?

Alex Palacios: GAVI has never been in a position where it might run out of cash. We have a policy that requires us to have a certain level of cash in the bank looking out to the future, so we're never in a position where we could have no resources.

We could get to a point, as we did in 2010, where we didn't have enough certainty regarding future support. We were working on securing future support. At that point, we suspended new commitments until we had more clarity. That clarity came in June 2011 and we immediately resumed our application and funding process.

New vaccines for malaria, dengue, and Japanese encephalitis would raise future demand for resources.

GiveWell: At what point would your policy lead you to suspend new commitments again?

Alex Palacios: If we were to find ourselves with a lack of clarity on donors' ability to deliver on pledges made and an inability on the donors' part to confirm likelihood of making new pledges.

GiveWell: Any visibility on/estimate of the likelihood countries come through with funding?

Alex Palacios: Colleagues in our program funding office do a continual reassessment of this. Right now, one of our major bits of work is to lock down all pledges. Work is taking place to finalize agreements where pledges were not entirely legally binding.

I can ask my colleagues about what we are able to share publicly on that. There's a table on the website about what donors' pledged and timeline for resources to be forthcoming.

GiveWell: Why was there a pause in new approvals in 2010? Our understanding is that approvals were stopped due to insufficient funding. Is this correct? What can you share from this? Can you share more detail?

Alex Palacios: I think at the end of the day it was a straightforward, almost obvious decision. It was in the depths of the economic recession. We weren't confident that we were going to get funding answers quickly enough and so we didn't have clarity on available resources. Therefore, we had to suspend new commitments until we gained more clarity. There was a board discussion and paper on that. I can send that to you.

GiveWell: Was June 2011 very different or resources coming back to where they were before?

Alex Palacios: It was a new level of direct commitments to GAVI and done by donors working in high level partnership in a way we hadn't seen before.

Donors got together and decided this was a priority. We did a lot of groundwork to make sure donors were informed about the evidence base for immunization.

GiveWell: What would happen if GAVI received an extra \$1m tomorrow? \$10m? \$50m? \$100m? Where, mechanically, would it flow?

Alex Palacios: The answer is very simple. If GiveWell gave us any millions of dollars, there is nothing that prevents those resources from being used immediately to procure and deliver vaccines into countries that are in the midst of the introduction phase. This is something they've done in recent months.

GiveWell: Is that additional or does it replace other money?

Alex Palacios: It's really both. It allows us to do more than we were otherwise able to do. We can utilize those resources and the recognition that goes along with specifically providing resources for an unfolding effort.

GiveWell: We are interested in what changes for GAVI if it has an extra \$1 million, rather than how those funds are earmarked.

Alex Palacios: Between now and 2015, as long as pledges come in, those resources have been pledged to those programs and we'd make sure we could meet the timeline that countries have set for themselves, so those vaccines would still be directed to those programs in the absence of additional funding.

GiveWell: Is it correct to think of the \$1m as a safety net in case pledges don't come through?

Alex Palacios: I wouldn't call it that. Our approach is and will be to use money that comes in from new private sector partners right away.

GiveWell: If the programs would continue whether or not the new donations come in, then isn't the real effect of new money to provide resources for later on?

Alex Palacios: There's nothing fundamentally wrong with what you said. Because of the way we treat money from private philanthropic sources like yours, the decision to use it right away, places these unexpected resources immediately into a program delivery mode and then the resources that are otherwise pledged and anticipated to be pledged over time. It's an incremental reduction of risk with regard to those resources. We've been able to use the money right away. There's an incremental reduction in risk that a donor might be delayed or unable to deliver on the pledge that has been announced.

GiveWell: During the 2011 pledging conference, did you receive more than you were expecting?

Alex Palacios: We received a bit more. If you take into account the challenge grant element, we raised about \$4 billion and our identified gap was \$3.76 billion.

But, even at that time, we projected demand to rise.

There still remains the issue for the US and perhaps other countries of whether parliaments and Congress will appropriate the resources that the administration requests.

GiveWell: Did you foresee the results of the 2011 conference in 2010? If so, why did you

suspend new commitments?

Alex Palacios: The decision to suspend making new commitments was not because we didn't think we'd succeed in our replenishment. It was because we were a year from the replenishment conference and we were in discussions with donors. GAVI had secured support before in a more ad hoc way with no replenishment conference.

GiveWell: Looking forward, is there a risk that new commitments will be paused again in 2015 because of lack of clarity?

Alex Palacios: We now recognize how the cycle works, so we've initiated a replenishment cycle, and we understand the political and technical processes involved, and we'll move forward as a better-informed organization. Barring an even worse economic situation, I don't anticipate another pause; we'll stay ahead of the challenge of lacking clarity regarding our resources.

We're planning a mid-term review conference for donors from the pledge conference in 2013 to confirm timing of next replenishment and review progress and funding outlooks.

GiveWell: We briefly discussed on the phone the potential need for additional funding for measles and polio. How much is needed for these initiatives? Is this a priority for GAVI and why or why not?

Alex Palacios: In the forecasting that we used for the replenishment conference, we didn't include measles and polio. This would need to be approved by the board. GAVI had provided support for measles and polio back in 2008 on a special case basis.

Were we to do that again, the board would consider it. We're discussing with others what those other initiatives might require. Then, we'll take it to the board.

There's the polio eradication initiative and it has real and immediate gaps.

The decade's focus on measles had led to significant reductions in measles, but we must make sure that the progress is sustained and that we work to ensure that our success doesn't slide back. I don't know as much about funding gaps with measles.

GiveWell: Measles and polio are outside GAVI's normal set of vaccines?

Alex Palacios: Yes.

Maternal and neonatal tetanus (MNT) is also outside our scope. It's an immunization initiative we've supported; UNICEF has taken the lead. It was facing a funding need. It was brought to GAVI and IFFM funds were used for that.

GiveWell: What other vaccines are outside your scope?

Alex Palacios: Traditional EPI has six vaccines including polio and measles. WHO and UNICEF are always looking for resources to maintain those programs. The challenge there isn't the vaccines, themselves, but the cold chain. UNICEF could probably break down where they see the gaps.

Cold chain was built in the 1980s and requires replenishment frequently and needs to be addressed.

GiveWell: Does MNT have a funding gap? Is that under UNICEF?

Alex Palacios: Yes, that is UNICEF. I'm sure it does. I don't have a sense for how critical it is right now. There was a critical gap in 2006-2007. One of our talking points for GAVI is that our support allowed twice as many MNT vaccines to be delivered as a result of GAVI support.

GiveWell: Why are MNT, measles, and polio outside GAVI's scope?

Alex Palacios: When GAVI was created, there was recognition that there were already partners delivering older vaccines, but there were large equity gaps for newer, underused vaccines between wealthier and poorer countries.

The first three we zeroed in on were Hepatitis B, Yellow Fever and Hib. Thanks to GAVI's support, Yellow Fever epidemics aren't a major problem anymore. HepB and Hib vaccines were combined with DPT, in the pentavalent vaccine and introduction of this new formulation is well underway. This was cost-effective, and we could ensure that children were protected against five serious diseases in a single visit. Pneumococcal and rotavirus vaccines followed pentavalent, and we're now approved to move forward with rubella and HPV. We could in the future have dengue, malaria, and Japanese Encephalitis vaccines to consider.