

UNICEF's Vaccine Independence Initiative

KEY POINTS

- * The Vaccine Independence Initiative (VII) is a successful revolving fund managed by UNICEF. It provides country subscribers with flexible financing that enables steady vaccine supplies.
- * The VII provides credit to countries for vaccine purchase through UNICEF, with repayment due 30 days after delivery of vaccines.
- * Vaccines arrive several months sooner than would otherwise be expected using the fund's credit line.
- * More than 20 countries in Africa, the Pacific Islands, and Southeast Asia have used the fund to prefinance vaccines, injection supplies, and cold chain equipment.
- * In addition to applying to VII, governments that have challenges with late budget releases might also consider approaching commercial banks about commercial financing instruments for critical vaccine purchases.

A STEADY SUPPLY of vaccines and injection supplies is critical to carrying out an effective immunization program. But procurement regulations and irregular timing of budget releases—particularly during a country's transition from donor funding to domestic funding of vaccine supplies—can cause difficulties in maintaining adequate vaccine supplies. UNICEF Supply Division requires prepayment before initiating procurement on a country's behalf. Countries may experience stock-outs of critical vaccines as a result of delays in transfers of funds to UNICEF Supply Division. To bridge this gap, UNICEF's Vaccine Independence Initiative (VII) provides more flexible financing terms for countries that need them, allowing a country to pay after delivery. Nearly 30 low- and middle-income countries have taken advantage of VII credit lines to help improve the stability of their vaccine supplies.

In 2015, the UNICEF Executive Board renewed the VII through 2020 and permitted the capital base to expand from US\$10 million to US\$100 million (if enough funding is contributed by donors). The Executive Board also approved the use of VII capital to prefinance non-vaccine commodities, such as antimalarial bed nets and nutrition products.

HOW THE VII WORKS

The VII, established in 1991, uses a capital fund to allow UNICEF Supply Division to initiate procurement on behalf of countries. Country recipients have 30 days to repay the VII once the vaccines are received and invoiced. Every participating country has a cap on the amount it can owe the VII at any one time. This helps manage the financial risk to the VII and encourages countries to reimburse the VII promptly so they can take advantage of VII credit in the future. The VII is essentially a country-specific revolving fund. It is similar in many ways to the PAHO Revolving Fund (described in Brief 12), but it serves countries in regions outside the Americas and is distinct in that the line of credit is country-specific. The VII mechanism enables vaccines to arrive several months earlier than would otherwise be possible, helping to minimize stock-outs and ensure continuous supplies. Repayment can be in the local currency if UNICEF's country program can absorb that currency in its operations.

The VII provides other important benefits. Delays in transfers of financing from countries to UNICEF Supply Division can result in postponed orders and reduce the predictability and stability of the market. Stable financing gives suppliers greater confidence that payment will be timely and helps UNICEF Supply Division procure vaccines at affordable prices.

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Using the fund as leverage, UNICEF works with countries' health and finance ministries to forecast vaccine needs, determine immunization funding requirements, and budget appropriately.

The VII's funds are limited, however, and UNICEF'S ultimate goal is for countries to "graduate" from using these credit lines to meeting standard advance payment terms (using UNICEF Supply Division's procurement services) and eventually self-procurement.

WHICH COUNTRIES ARE ELIGIBLE

Any country that has a Programme Cooperation Agreement or Basic Cooperation Agreement with UNICEF can apply to the VII. Governments must also have:

- Sufficient budgetary resources to purchase the vaccines and injection supplies and/or cold chain equipment
- A VII memorandum of understanding approved and signed by UNICEF and the ministry of health
- A letter of guarantee signed by the ministry of finance for the value of the country cap (which is renewed annually while the country is a VII subscriber)

Before allowing a country to subscribe to the VII, UNICEF Supply Division works with the country to assess the status and causes of vaccine stock-outs, historical funding patterns for the national vaccine program, relevant budgeting processes, the likelihood of default, and other factors. The application to the VII is ultimately assessed by UNICEF'S comptroller and the director of Supply Division, who have discretion to approve or reject it.

WHICH COUNTRIES SUBSCRIBE

The VII has been used by both Gavi and non-Gavi countries. From 2012 to 2015, Cape Verde, Chad, Kenya, Niger, Nigeria, and the Pacific Island countries were all subscribers. Several countries have graduated from the VII, including Morocco and the

Philippines. As of mid-2016, discussions were ongoing with other potential subscribers.

Some Gavi-eligible countries, such as Kenya, have used the VII to purchase traditional vaccines and to meet Gavi co-financing procurement requirements. As Gavi-eligible countries transition to full self-financing, the VII mechanism could remain useful in providing financial flexibility.

Countries most likely to benefit from the VII include:

- Countries outside of Latin America (which have no access to the PAHO Revolving Fund)
- Countries that do not intend to self-procure
- Countries that are likely to have cash-flow timing challenges

Middle-income countries that were never Gavi-eligible can benefit from the VII if they are struggling with cash-flow timing for vaccine procurement and cannot find other appropriate solutions. In addition to subscribing to the VII, countries can explore commercial bank financing for lines of credit or guarantees to provide more liquidity when the timing of government budget releases is an issue.

As of February 2016, the VII had helped finance BCG, hepatitis B, OPV, IPV, DT, TT, Td, measles, MR, MMR, PCV, rotavirus, HPV, yellow fever, meningococcal, and cholera vaccines; DTP-containing vaccines; Hib-containing vaccines; and injection supplies. The fund has also prefinanced cold chain equipment.

Countries interested in exploring the VII'S services can contact UNICEF for more information.

FURTHER READING

For archived information on UNICEF'S Vaccine Independence Initiative: <https://perma.cc/FV2R-TEZS>. See the UNICEF website for current information (www.unicef.org).