

Gavi Alliance Audit and Finance Committee Meeting

15 September 2020

Virtual Meeting

1. Chair's Report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 15.00 Geneva time on 15 September 2020. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).
- 1.3 The Committee tabled the minutes of its meeting on 23 July 2020 (Doc 01b) which were approved by no-objection consent on 8 September 2020. The Committee also noted its action sheet (Doc 01c) and forward workplan (Doc 01d).

2. Financial implications of recalibrating programmatic priorities for Gavi 5.0 in light of COVID-19 and the replenishment

- 2.1 Seth Berkley, CEO, provided introductory remarks noting the increasing vulnerability of Gavi-supported countries as the COVID-19 pandemic continues to cause disruptions in routine immunisation services.
- 2.2 Dr Berkley highlighted that Gavi's replenishment in June 2020 provided additional resources to advance Gavi 5.0 goals and that the goal of leaving no one behind with immunisation is more relevant than ever before.
- 2.3 He reported that 85 economies have expressed confirmations of intent to participate in the COVAX Facility and that 18 September 2020 is the deadline for countries to submit binding commitments to join the Facility.
- 2.4 Dr Berkley outlined two arrangements which countries can enter into to join the Facility and noted the models of participation are designed to place financial responsibility on the countries and minimise risk for Gavi but Gavi's risk appetite may need to be considered as the Facility is operationalised and works to secure rapid access of vaccines for Advanced Market Commitment (AMC) eligible countries.
- 2.5 Assietou Diouf, Managing Director, Finance and Operations, noted that the Secretariat has been re-examining objectives for the 2021-2025 strategic period

and developed related estimates to strategic initiatives to accelerate Gavi 5.0 priorities (Doc 03).

- 2.6 She noted that estimates are subject to change as resources from the replenishment are subject to confirmation and have yet to be converted into binding financial commitments. She further noted that the usual Gavi financial forecasting exercise will be conducted in early October and presented to the AFC at its 21 October 2020 meeting.
- 2.7 Related to impacts from COVID-19, Ms Diouf highlighted changes in two previous Board-approved programmatic priorities – delayed introductions of new vaccines through the Vaccine Investment Strategy and reduced domestic funding for immunisation programmes.
- 2.8 She outlined a spectrum of programmatic priorities being presented to the Gavi Alliance Board for consideration at its 29-30 September 2020 meeting and presented implications of the expenditure and resource updates on the net available for future investments for the 2021-2025 period.
- 2.9 Ms Diouf noted the Secretariat recommends recalibrating programmatic priorities that would entail an allocation of US\$ 1,532 million to be financed out of the resources mobilised through the June 2020 replenishment and the financial envelope initially set aside for strategic investments.

Discussion

- AFC members noted that if the Gavi Alliance Board approved all suggestions for additional funding, US\$ 131 million would remain available for strategic investments in 2021-2025. The Committee enquired if this amount was sufficient given current levels of uncertainty and the Secretariat noted this question will be discussed by the Gavi Alliance Board and that adjustments could be made as new information becomes available.
- Several AFC members enquired about the prioritisation process to determine the proposed programmatic shifts and correlating expenses to which the Secretariat noted best estimates were calculated for Gavi 5.0 priorities and urgencies were also identified as part of a review of COVID-19 activities.
- In response to a question about Board-approved activities not included in the programmatic priorities outlined in Doc 03, the Secretariat noted the Gavi Alliance Board is scheduled to have a detailed prioritisation discussion on 29-30 September 2020 which will encompass proposed programmatic shifts and help set a clear direction for the Secretariat moving forward.
- In response to an enquiry from an AFC member about surge capacity for Alliance partners, the Secretariat noted proposed increases in foundational support and a global level surge to Alliance partners have been factored into current projections that the Gavi Alliance Board will discuss and consider.

- The Committee emphasised the importance of separating revenues, expenditures and accounting mechanisms for the COVAX facility and Gavi 5.0. The Secretariat noted there will be a clear segregation between COVAX and Gavi 5.0 activities and separate financing is being sought for the Office of the COVAX Facility.
- The Committee asked various questions about the governance structure of the COVAX facility including the roles, responsibilities and planned engagement of Gavi governing bodies such as the Programme and Policy Committee, Gavi Alliance Board and AFC. The Secretariat noted the governance structure of the Facility and Terms of Reference for COVAX-related governing bodies is being discussed by the Gavi Alliance Board at its 29-30 September 2020 meeting.
- The Committee recommended a future discussion on risk mapping that encompasses vaccine preparedness and delivery.
- In response to a question from an AFC member, the Secretariat confirmed staff capacity and capabilities are being looked at as part of the current organisational review.
- The Committee reviewed the suggestions for additional funding of US\$ 1,532 million to address the recalibrated priorities under Gavi 5.0 and noted that sufficient resources are available to fund the programmatic suggestions should the Gavi Alliance Board concur.

3 COVAX Facility

- 3.1 Aurélia Nguyen, Managing Director, Vaccines & Sustainability, provided an overview of the COVAX Facility noting the AFC's role in i) ensuring funding availability for COVAX Facility operations, including review of financial implications for Facility-related transactions; ii) ensuring the COVAX Facility is properly represented in Gavi's Annual Financial Report and iii) monitoring risk.
- 3.2 She reported the goal of the Facility is to provide two billion vaccine doses by the end of 2021 and she presented key assumptions underlying the Facility's operating model. She noted the estimated cost is US\$ 17.4 billion to reach a population of 5.6 billion people and she highlighted financing options for COVAX Facility participants as well as expected milestones in 3Q 2020.
- 3.3 Marie-Ange Saraka-Yao, Managing Director, Resource Mobilisation, Private Sector Partnerships and Innovative Finance, outlined potential funding sources for the COVAX Facility and noted that immediate financial commitments to manufacturers could total US\$ 5.7 billion. She further noted that between US\$ 4 billion – US\$ 5.7 billion will likely be available for upfront investments depending on financing options exercised by the self-financing participants and therefore, debt coverage may need to be considered to help address potential funding gaps.
- 3.4 Assietou Diouf, Managing Director, Finance and Operations, discussed financial risks mainly liquidity and credit risks as Gavi currently assumes financial risk exposures of the COVAX Facility. She noted Gavi's operating principle is not to

enter into advance purchase agreements with manufacturers until it has legally binding financial commitments from Facility participants to secure such doses with appropriate financial backing but with this principle, there is a risk of delayed deals with manufacturers which could impact the success of the Facility.

- 3.5 Ms Diouf highlighted potential mitigation strategies to the financial risks and reported that Gavi is seeking the services of a Treasury Manager in sovereign risk management. She further noted that a full risk exercise will be presented to the AFC at its 21 October 2020 meeting.

Discussion

- Committee members expressed concerns with Gavi taking on financial risks related to the COVAX Facility and any impact this might have on successfully implementing Gavi 5.0. The Secretariat affirmed it seeks to create no financial risk to Gavi but there may be a timing difference between committing to purchase doses with manufacturers and receiving resources from Facility participants.
- In response to an enquiry from a Committee member on how the potential timing difference and funding gap evolved, the Secretariat noted that more participants have expressed interest in the optional purchasing agreement which allows participants to reserve the option to purchase an approved vaccine candidate either before Gavi enters into an agreement with a manufacturer or at a later date when Gavi provides purchase options for an available vaccine.
- In response to questions from the Committee about AMC-supported economies, the Secretariat confirmed that funding flows between AMC-supported economies and self-financing participants will remain separate. The Secretariat also noted that IFFIm is being considered to help frontload costs for AMC-supported participants.
- In response to a question from an AFC member, the Secretariat confirmed that discussions are underway with multilateral development banks to help finance service delivery costs for AMC-eligible economies.
- In response to an enquiry from a Committee member on the expected timing of committed resources, the Secretariat noted that 9 October 2020 is the deadline for participants to provide binding financial commitments to participate in the Facility.
- The Committee noted that Gavi's role in administering the COVAX Facility must be done with minimal risk to Gavi and requested a full risk assessment related to the COVAX facility and Gavi 5.0.
- The Committee discussed the capacity of the AFC and given the scale and complexity of the COVAX Facility, it recommended assessing the Committee's composition to determine if additional skillsets could be helpful.
- The Secretariat noted that the Gavi Alliance Board will discuss the potential allocation of US\$ 150 million from Gavi's core resources to help eligible Gavi-

supported countries prepare for the operationalisation of COVID-19 vaccine programmes and vaccine deployment.

- The Chair expressed support for hiring a treasury manager and recommended structuring COVAX-related arrangements and financial guarantees with self-financing participants in a way they do not create additional risk for Gavi.
- The Committee agreed to meet together more frequently to ensure members have a clear understanding of the risks to Gavi and to ensure Gavi's assets are effectively protected.
- The Committee requested to see a detailed project plan for the COVAX Facility and commended the Secretariat for the significant amount of work accomplished to date.

4 Review of Decisions and any other business

- 4.1 After determining there was no further business, the meeting was brought to a close and it then convened in closed session.

5. Closed session for members only

- 5.1 Members of the Secretariat left the meeting and the Committee proceeded with the closed session (See separate notes from the closed session).

Ms Brenda Killen
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Benjamin Carcani
- Gianmarco Coccozza
- Etleva Kadilli
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel
- Carmen Coles Tull
- Rafael Vilasanjuan

Regrets

- Emmanuel Maina Djoulde
- Kwaku Agyeman Manu

Observers

- Sarah Goulding
- Imre Hollo, WHO (Items 1-4)
- Kelly Jarrett, Bill & Melinda Gates Foundation

Secretariat

- Seth Berkley
- Laura Boehner (Items 1-2)
- Hannah Burris (Items 1-4)
- Pauline Caywood (Items 2-3)
- Adrien de Chaisemartin (Items 3-4)
- Assietou Sylla Diouf
- Anuradha Gupta
- Brenda Killen
- Simon Lamb (Items 1-4)
- Ian MacTavish (Items 1-4)
- Jelena Madir (Items 2-3)
- Thabani Maphosa (Items 1-4)
- Aurélia Nguyen (Items 3-4)
- Marie-Ange Saraka-Yao (Items 1-4)
- Paolo Sison (Items 1-4)
- Wendy Tagama (Items 1-4)
- Jacob van der Blij (Items 2-4)
- Melissa Wolfe