

SUBJECT: FINANCIAL UPDATE, INCLUDING FORECAST - REVISED

Agenda item: 03

Category: For Decision

Section A: Executive Summary

Context

At its June 2021 meeting, the Gavi Alliance Board reviewed and approved the Financial Forecasts for (i) Gavi (excluding COVAX) for the Strategic Period 2021- 2025 (“**Gavi 5.0**”) and (ii) COVAX Advance Market Commitment (“AMC”) for the funded period 2020-2022. This paper presents the updated Financial Forecasts for Gavi 5.0 and COVAX AMC including the impact of the additional Gavi 5.0 investment priorities presented for decision at this Board meeting. A consolidated overview is also presented for the first time to reflect the full financial portfolio of Gavi 5.0 and COVAX AMC.

Gavi 5.0 has begun amid some reversal of pre-pandemic gains and continued uncertainty about the future evolution and impact of COVID-19 on routine immunisation systems. Increasing global and country attention to the rollout of COVID-19 vaccines makes the Alliance’s ambitious equity targets, such as the reduction of zero-dose children by 25% by 2025, even more daunting. Gavi is actively working with countries to maintain focus on routine immunisation while delivering COVID-19 vaccines. Given countries are heterogeneous, demonstrating variable impact of the pandemic on routine immunisation as well as capacity to mount an effective response including vaccination, the Alliance is drawing on all its levers to support tailored solutions for each country. In preparing the financial forecast the Secretariat considered a number of uncertainties relating to continued disruption of essential health services including routine immunisation from COVID-19 pandemic and country efforts to scale up COVID-19 vaccination . The current assumptions underpinning the financial forecast consider, among other things, the continued commitment to deliver Gavi 5.0 Strategic Objectives and the outcome of the recent High Level Review Panel (HLRP) which, as supported by the 2020 WHO/UNICEF Estimates of National Immunisation Coverage (WUENIC) data released in July 2021, indicate that implementing countries continue to prioritise routine immunisation programmes and sustain vaccination of children.

At this point in time there are **no material changes to the approved expenditures nor phasing of key activities in the Gavi 5.0 financial forecast**. The Secretariat will continue to engage with countries and partners to assess the assumptions and, if circumstances change, will reflect them in the next reforecast cycle. The Secretariat support and expenditure for Gavi 5.0 remains unchanged, although there is some phasing of costs from 2021 into the outer years reflecting the lower spend in 2021 due to COVID-19 disruption.

The **changes to the Gavi 5.0 forecast** approved by the Board in June 2021 reflect the inclusion of an Allowance for Future Direct Contributions as required by the Programme Funding Policy and the impact of the additional investment priorities presented for decision at this Board meeting.

COVAX was developed in an uncertain time, and the Office of the COVAX Facility (“the Facility”) has been adapting as the pandemic evolves, mobilising resources and locking in doses where manufacturing capacity is available. In the face of supply availability setbacks, new deals have been signed to diversify the portfolio (both geographically and by type of vaccine platform), in addition to setting up new dose donation mechanisms. The material changes to the COVAX AMC forecast approved in June 2021 reflect confirmed order commitments as well as options already exercised, increase in ancillary costs associated with the increase in donated doses including revised prices for 0.3ml syringes, and revision to the operating cost allocation model to reflect the increased weighting of COVAX AMC activity and 2022 phasing.

Conclusions

The Gavi Alliance Board is requested to approve:

- the Financial Forecast for Gavi 5.0 for the Strategic Period 2021-2025 including the financial implications of the decisions that the Board will consider at this meeting, and
- the Financial Forecast for COVAX AMC for the period under consideration (2020-2022).

In addition, the Gavi Alliance Board is requested to approve the AFC recommendation to treat the approved Secretariat budgets for 2021 and 2022 as an overall budget of US\$ 246.2 million across both years as well as approve the 2022 Operating budget for the Office of the COVAX Facility.

Section B: Financial Update, including forecast

1. Facts and Data

- 1.1 In this current period of heightened uncertainty, the Financial Forecast for Gavi 5.0 is presented to the Audit and Finance Committee (AFC) and the Board every 6 months for review and approval to allow the Board to consider the impact of the pandemic on the Financial Forecast and enable the CEO to allot funding to programmes in accordance with the Programme Funding Policy.
- 1.2 The Financial Forecast set out in Figure 1 below reflects the full financial portfolio of Gavi by presenting a consolidated overview of Gavi 5.0 and COVAX AMC. The detailed forecasts are presented separately to reflect the current operating model and to provide transparency on the separate resources and programmatic activity of Gavi 5.0 and COVAX AMC.

Figure 1: Consolidated Financial Forecast including COVAX AMC

The Available for Future Investments balance in Figure 1 is presented after including the impact of the new investments relating to Gavi 5.0 being presented at this Board meeting for decision. The Gavi 5.0 forecast before and after these new investments is presented in Figure 2.

Figure 1 reflects cash resources and expenditures only and excludes dose and cost sharing doses.

US\$ million, cash-flow basis

	GAVI 5.0 (v19.0)	COVAX AMC	Consolidated GAVI 5.0 & COVAX AMC
Assured resources 2021-2025	10,230	10,828	21,057
Allowance for Further Direct Contributions (not yet pledged)	535	-	535
Qualifying Resources	10,764	10,828	21,592
Forecast Expenditure	10,452	10,655	21,107
COVAX: Cost Sharing Backstop	-	79	79
Available for future investments	312	94	406
	\$0.3 bn	\$0.1 bn	\$0.4 bn

- 1.3 After taking into consideration an Allowance for Further Direct Contributions not yet pledged, total Qualifying Resources are US\$ 21.6 billion of which US\$ 10.8 billion relates to Gavi 5.0 and US\$ 10.8 billion to COVAX AMC. Forecast Expenditure is US\$ 21.1 billion of which US\$ 10.5 billion relates to Gavi 5.0 (including the proposed additional investments being presented for decision at this Board meeting) and US\$ 10.7 billion relates to COVAX AMC. US\$ 406 million remains Available for Future Investments of which US\$ 312 million is available for Gavi 5.0 after taking into account the new investments proposed and US\$ 94 million relates to COVAX AMC. There is US\$ 79 million to backstop current ‘cost sharing’ commitments for AMC countries within COVAX ahead of full risk transfer.
- 1.4 In addition to the US\$ 21.6 billion of cash resources, Gavi has also mobilised ‘dose sharing’ and ‘cost sharing’ mechanisms to access resources for COVAX AMC countries. The ‘dose sharing’ mechanism has mobilised 1 billion¹ doses with an accounting value of US\$ 6.5 billion. In addition, the Facility ‘cost share’ mechanism has to date supported the procurement of 146 million doses for COVAX AMC countries leveraging domestic and Multilateral Development Banks (MDB) resources at a value of US\$ 832 million.

¹ This figure is 1.2 billion if J&J volumes are doubled. The J&J volumes in this paragraph have not been doubled.

2. Financial Forecast Gavi 5.0 (excluding COVAX AMC)

2.1 The updated Financial Forecast for Gavi 5.0 (v19) forecasts Qualifying Resources of US\$ 10.8 billion and Forecast Expenditure of US\$ 10.5 billion after including the financial impact of the investment decisions being considered at this Board meeting. Therefore, the remaining resources Available for Future Investments are forecast at US\$ 312 million.

Figure 2: Forecast of Resources to meet Expenditure

US\$ million, cash-flow basis	2021-2025			New Forecast (v19.0) Dec 2021 Board
	Prior Forecast (v18.2) Jun 2021 Board	Change upon updating estimates	Impact of Dec 2021 decisions	
Assured Resources (projected)	10,332	7	(109)	10,230
Allowance for Further Direct Contributions (not yet pledged)		535		535
Qualifying Resources	10,332	541	(109)	10,764
	\$10.3 bn			\$10.8 bn
Forecast Expenditure	10,108	(66)	410	10,452
	\$10.1 bn			\$10.5 bn
Available for future investments	224	607	(519)	312
	\$0.2 bn			\$0.3 bn

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Decisions for consideration by the Board US\$ million	Decision amount
(a) VPD Surveillance	55
(b) Strategic Partnership with India	199
(c) Malaria vaccine programme	156
Total decisions amount	410
Impact of Dec 2021 decisions on reserve	109
Total impact of decisions	519

2.2 Compared with the Prior Forecast approved by the Board in June 2021, **Qualifying Resources** have increased by US\$ 541 million driven by the inclusion of an Allowance for Further Direct Contributions not yet pledged in accordance with the Programme Funding Policy. **Forecast Expenditure** (excluding proposed new investments) has decreased slightly by US\$ 66 million upon updating estimates.

2.3 The Financial Forecast has also been updated to reflect the impact of the **investment decisions** being considered at this Board meeting including the resultant increase in cash and investment reserves required under the Programme Funding Policy equivalent to 9 months of the estimated 2026 expenditure for the new investment cases. The AFC has confirmed that these new investment decisions totalling US\$ 410 million can be approved in accordance with the Programme Funding Policy and this amount is therefore included within the Financial Forecast recommended by the AFC to the Board for approval.

- 2.4 The key assumptions underpinning the Financial Forecast and the modest change in Forecast Expenditure estimates reflect the Secretariat's assessment (supported by the recent HLRP renewal and approval process and the latest external WUENIC data released in July 2021 on national immunisation coverage) that while routine immunisation programmes are at risk of disruption from the pandemic and scaling up of COVID-19 vaccination, implementing countries continue to demonstrate resilience and strong commitment to immunisation. In particular, the total number of vaccine introductions and campaigns remains unchanged from the prior forecast which already assumed a significant reduction of 30% from pre-COVID-19 estimates with the majority of VIS launches postponed to Gavi 6.0. In addition, the forecast assumes that most countries would maintain co-financing despite fiscal constraints. The Secretariat will continue to engage with countries and partners to assess the assumptions and, if circumstances change, will update the assumptions accordingly in the next reforecast cycle.
- 2.5 The key supply assumptions underpinning the financial forecast assume no widespread or macro impact to supplier capacity or pricing, based on the outcome of recent tenders and no indications at the time of preparing the forecast of any widespread disruption to suppliers which could impact Gavi's core vaccine programmes. The Secretariat will continue to engage with its procurement partner (UNICEF) to assess the appropriateness of these assumptions, with particular focus on the supply factors (e.g. freight costs, syringe shortages) at greatest risk of potential disruption from the increased pressure in the global supply chain from the pandemic and global COVID-19 vaccine implementation. While the situation remains highly uncertain, based on the current information at the time of this report, the financial impact of mitigating the emerging freight and syringe risks could be around US\$ 100 million and the Secretariat will provide an update at the Board meeting.
- 2.6 Forecast **Secretariat expenditure** across Gavi 5.0 remains unchanged to support the delivery of the Strategic Goals although phasing across the strategic period has been updated. The Secretariat anticipates there will be a need for flexibility to allocate Secretariat resources across the period as activities are reprogrammed or rephased once the exceptional impact of COVAX and the pandemic on the Secretariat's operations subsides. Maintaining Secretariat expenditure for Gavi 5.0 at the already approved level will enable the Secretariat to invest and direct resources, including any 2021 underspend (currently forecast at US\$ 25 million), to ensure continued delivery of the Strategic Goals.
- 2.7 In December 2020, the Board approved a Secretariat budget (excluding capital expenditure) of US\$ 128.5 million for 2021 and US\$ 132.7 million for 2022 (US\$ 261.2 million in total). The Board is requested to consider the 2021 and 2022 budgets **jointly** with a total budget of US\$ 246.2 million to provide flexibility in 2022 to allocate expenditure to support near term programmatic priorities while ensuring, in recognition that the

reprogramming of activities will also impact 2023-2025, sufficient flexibility will be available across Gavi 5.0.

- 2.8 One of the priorities for Gavi 5.0 is the Portfolio Management Optimisation (PMO) project to drive simplification and differentiation across Gavi's portfolio management processes from planning & design, review & approvals, disbursements, and implementing & reporting. The streamlined processes (which will be underpinned by digital technologies) will provide donors with greater transparency and accountability for Gavi investments, countries with an enhanced and simplified user experience, partners with strengthened engagement and collaboration and the Secretariat with improved risk management and controls and efficient work flows to focus on higher value work.
- 2.9 The PMO project planning is underway and the Steering Committee has met regularly to assess progress and provide guidance, in particular on partner selection, budget and resource planning. The updated PMO budget is expected to be the largest single non-programmatic investment undertaken by the Secretariat during 5.0 and the projected cost is fully funded and reflected within the current Secretariat Expenditure forecast. The Secretariat will update the AFC at its meeting on 29 November, 2021 and request that the AFC confirm expectations on project oversight. In addition, the AFC will be asked to consider the outcome of the competitive tender process and the Secretariat's intention to enter into final contract negotiations with the selected partner resulting in a binding commitment (subject to the vendor achieving satisfactory performance conditions) of US\$ 3.2 million being made on contract signature. Further updates will be provided to the AFC and Board in due course.
- 2.10 Additional details on Gavi 5.0 Qualifying Resources and Forecast Expenditure are set out in Appendix 1. The Secretariat will report full year 2021 performance against the first year of the Financial Forecast, and extend the Financial Forecast through to the end of the next Strategic Period 2026 - 2030 ("Gavi 6.0") at the June 2022 Board meeting.
- 2.11 **Programme Funding Policy Nomenclature Change**
- 2.12 The Partners' Engagement Framework (PEF) is a critical funding instrument set up in 2016 to plan, fund, operationalise and monitor impact of support provided by Partners at the global, regional and country level with the aim of accelerating sustainable and equitable immunisation coverage. The PEF Management Team (PEF MT) was the body overseeing this support, responsible for shaping PEF and making recommendations to the CEO to allot funding within the Board approved PEF envelopes. As the Alliance entered Gavi 5.0, the PEF MT evolved into the Partnerships Team (PT) which now oversees PEF and recommends funding decisions for Strategic Focus Areas and Foundational Support. Therefore, a nomenclature change is needed in the Programme Funding Policy to reflect this evolution. No other changes to the policy are being proposed.

3. Financial Forecast COVAC AMC

3.1 The updated Financial Forecast for COVAX AMC forecasts Qualifying Resources (that is amounts pledged up to 30 September 2021) of US\$ 10.8 billion and Forecast Expenditure of US\$ 10.7 billion. In addition, there is US\$ 79 million to backstop current “cost sharing” commitments for AMC countries ahead of full risk transfer. The forecast period for COVAX AMC is 2020-2022.

After consideration of the investments above and until additional funding is secured, there are no resources available to fund future procurement of vaccines or absorb additional costs such as ancillary costs.

Figure 3: COVAX AMC Financial Forecast Overview

US\$ million, cash-flow basis	2020-2022				New Forecast (v19) Dec 2021 Board
	Prior Forecast (v18) Jun 2021 Board	Gavi 5.0 Core Funding (Delivery)	Structural Adjustments	Change upon updating estimates	
Qualifying Resources	10,603 \$10.6 bn	(150)	-	375	10,828 \$10.8 bn
Forecast Expenditure	10,355 \$10.4 bn	(150)	(2,463)	2,913	10,655 \$10.7 bn
Committed Deals: Cost Sharing Backstop	-	-	-	79	79
Available for future investments	248 \$0.2 bn	-	2,463	(2,617)	94 \$0.1 bn

3.2 Compared with the Prior Forecast approved by the Board in June 2021, there is a US\$ 225 million increase in **Qualifying Resources** reflecting new pledges offset by a presentation change relating to the US\$ 150 million core delivery funding now reflected only in the Gavi 5.0 forecast. As agreed with the AFC, **Forecast Expenditures** no longer reflect the expenditure associated with Advanced Purchase Agreements (APAs) not yet signed or options not yet triggered. Therefore, Forecast Expenditure is US\$ 10.7 billion relating to commitments under APAs including options exercised, COVID-19 delivery support, ancillary costs and operating costs. Compared with the prior forecast, Forecast Expenditure has increased by US\$ 2.9 billion primarily as a result of options triggered, new deals signed, increased ancillary costs associated with the increase in donated doses and higher prices for 0.3ml syringes.

3.3 The Board has approved an exceptional approach to **cost-sharing** which allows COVAX AMC countries to contribute directly to the cost of vaccines, leveraging domestic sources and funds made available by Multilateral Development Banks (MDBs). The Facility is actively seeking to mitigate all financial risks to Gavi associated with cost-sharing however, until full risk mitigation is in place, COVAX must backstop the manufacturer risk on delay or non-delivery associated with advance payment. The backstop is US\$ 79 million and will unwind on implementation of risk mitigation measures or delivery of the vaccine.

- 3.4 **Dose-sharing** doses are excluded from the Financial Forecast as they do not meet the definition of Qualifying Resources. At the time of preparing the forecast, 1 billion doses have been committed to COVAX with an accounting value (based on COVAX Advance Purchase Agreement prices) of US\$ 6.5 billion. Based on existing pledges, COVAX AMC has sufficient resources to fund associated ancillary costs for 2021. Funding related to donated doses beyond 2021 is yet to be confirmed by donors.
- 3.5 Total **operating costs** for the COVAX Facility (including AMC, SFPs, Delivery, and PEF procurement agent fees) remain the same as the prior forecast (US\$ 130 million) however the weighting of operating costs to COVAX AMC has increased by US\$ 10 million to US\$ 60 million as a result of increased costs associated with the increasing complexity and size of the COVAX AMC segment, for example administering the dose sharing programme. The Facility operating costs are shown in Appendix 2, and the Board is requested to approve the 2022 Operating Budget of US\$ 68 million.
- 3.6 Additional details on COVAX AMC Qualifying Resources and Forecast Expenditure are set out in Appendix 2. An update to the COVAX AMC Financial Forecast will be presented to the June 2022 Board meeting which may be materially different from the Financial Forecast presented at this meeting reflecting the evolving nature of both the pandemic and the Facility's role in supporting COVAX AMC countries' response.

Section C: Actions requested of the Board

The Gavi Alliance Audit and Finance Committee reviewed the Financial Forecast and **recommends** to the Board, subject to a further review related to b) and c) below at the 29 November 2021 Audit and Finance Committee meeting, that it:

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee and concluded that these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy;
- b) **Approve** the updated Financial Forecast for the Gavi 5.0 (2021-2025) period, as set out in Section B paragraphs 2.1–2.10, noting that this has been amended for the December 2021 Gavi Alliance Board meeting to reflect the outcome of the Programme and Policy Committee recommendation on the new investments proposals;
- c) **Approve** the updated Financial Forecast for COVAX AMC, as set out in Section B paragraphs 3.1-3.6, noting that this has been amended for the December 2021 Gavi Alliance Board meeting to reflect the outcome of the 22 November 2021 meeting of the Market-Sensitive Decision Commit;
- d) **Agree** that the budgetary amounts approved by the Gavi Alliance Board in Decision 9 of the Board Meeting of 16-17 December 2020 for Secretariat Resources for 2021 and separately for 2022, be treated as an overall Budget

amount for each component which may be utilised over both years subject to total Secretariat expenditure of US\$ 246.2 million across 2021 and 2022;

- e) **Approve** the Office of the COVAX Facility operating budget for 2022 of US\$ 68 million;
- f) **Authorise** the Gavi Secretariat to allot funding in 2022 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy; and
- g) **Approve** the nomenclature change in the Gavi Alliance Programme Funding Policy from 'PEF Management Team' to 'Partnerships Team'.

Annexes

Annex A: Implications/Anticipated impact

Annex B: Terminology Used in Basis of Preparation

Additional information available on BoardEffect

Appendix 1: Additional Detail on Gavi 5.0 Financial Forecast

Appendix 2: Additional Detail on COVAX AMC Financial Forecast

Appendix 3: Programme Funding Policy Nomenclature Change