

Finance

BOARD MEETING

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7-8 December 2022, Geneva, Switzerland

Key Forecast and Budget Highlights

US\$ 183 m

Gavi 5.0: available for future investments (after new investments)

- Decrease in resources due to market condition offset by lower forecast expenditure. **Flexibility remains to respond to uncertain context.**
- Funding for HPV relaunch & updated Co-Financing, Eligibility & Transition policies reflected

US\$ 1.9 bn

COVAX: resources released through negotiations

- Renegotiations to return ~ US\$ 1.9 bn to the AMC
- Combined exit costs and expiration forecast to date reduced to ~US\$ 1.8 bn, with additional risk of expiries based on 2023 demand (figures exclude in-country wastage)

No increase

Gavi 5.0: Secretariat budget

- **Total budget remains within Board approved envelope**; with underspend rephased
- Average operating expense ratio for Gavi 5.0 remains <7.5%; increases for 2023- 2024

Secretariat capacity

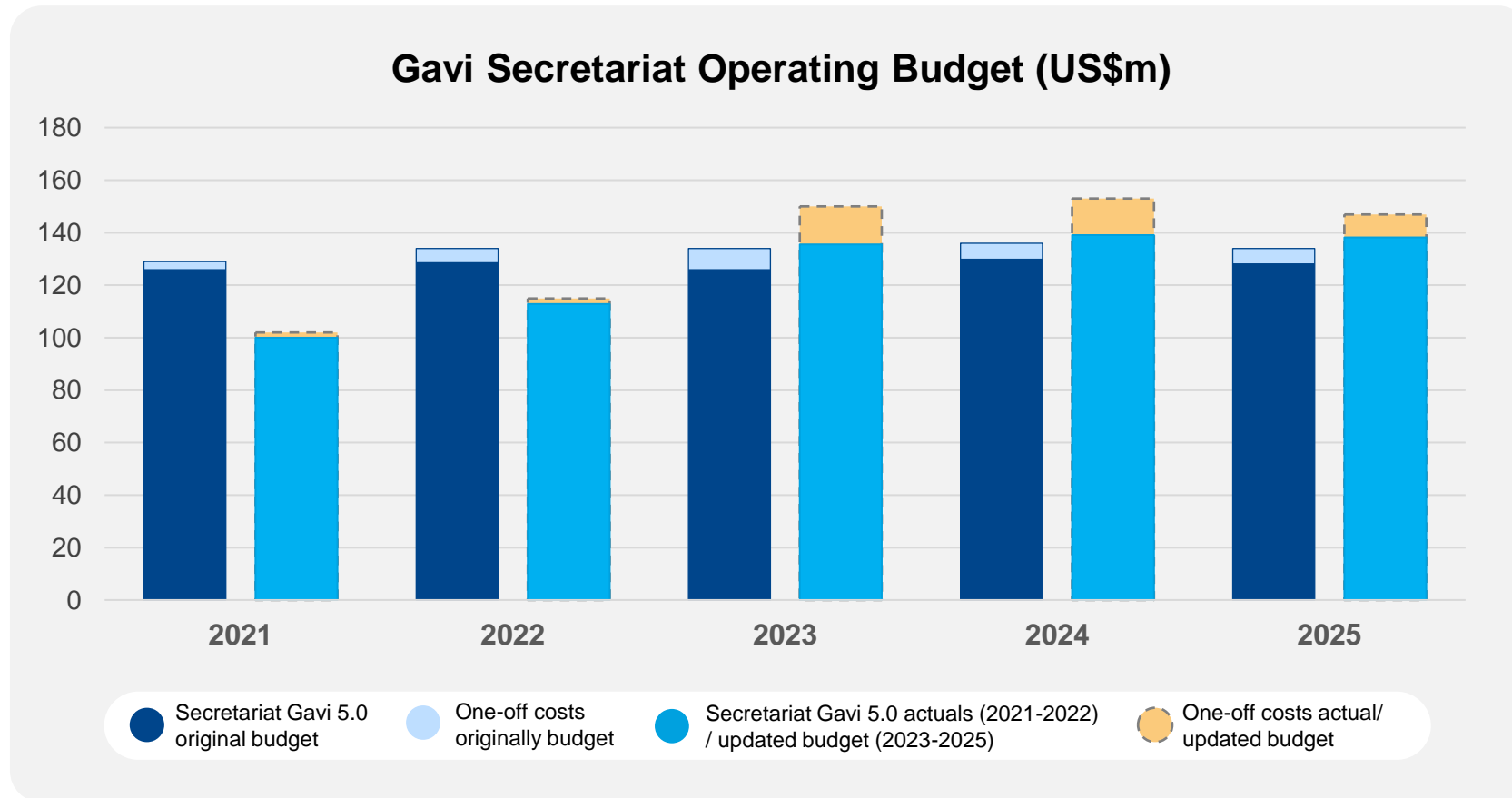
Increasing risk for the Alliance

- Efficiency and simplification with launch of **Operational Excellence** framework
- Holistic **workforce plan** to meet Secretariat resource capability needs and drive end to end process effectiveness across all functions

Overview of Financial Implications of Programmatic Decisions

Gavi 5.1 & Other Programmatic Decisions	Financial Forecast Impact (2023-2025)	Secretariat Budget Impact (2023-2024)
HPV Relaunch	US\$ 102 m (US\$167 m offset by US\$ 65 m decrease in non relaunch costs)	US\$ 2.6 m (US\$ 4 m for 2023-2025)
Eligibility & Transition, Co-Financing Policies	US\$ 80 m	NA
TBDs: <u>Not included</u> in Gavi Core financial forecast and budget; contingency available for some costs		
Regional Manufacturing	TBD	TBD
Placeholders: Programmatic amounts <u>not included</u> in Gavi or COVAX financial forecast Dependent on Board-approval in 2023		
COVID-19 Programme	~US\$ 1.8 bn	~US\$ 30 m
PR	~US\$ 40 m	(US\$ 60 m for 2024-2025)

Secretariat budget in line with Gavi 5.0 forecast; rephasing to catch up delayed activities



Rephased underspend reflects the impact of the pandemic

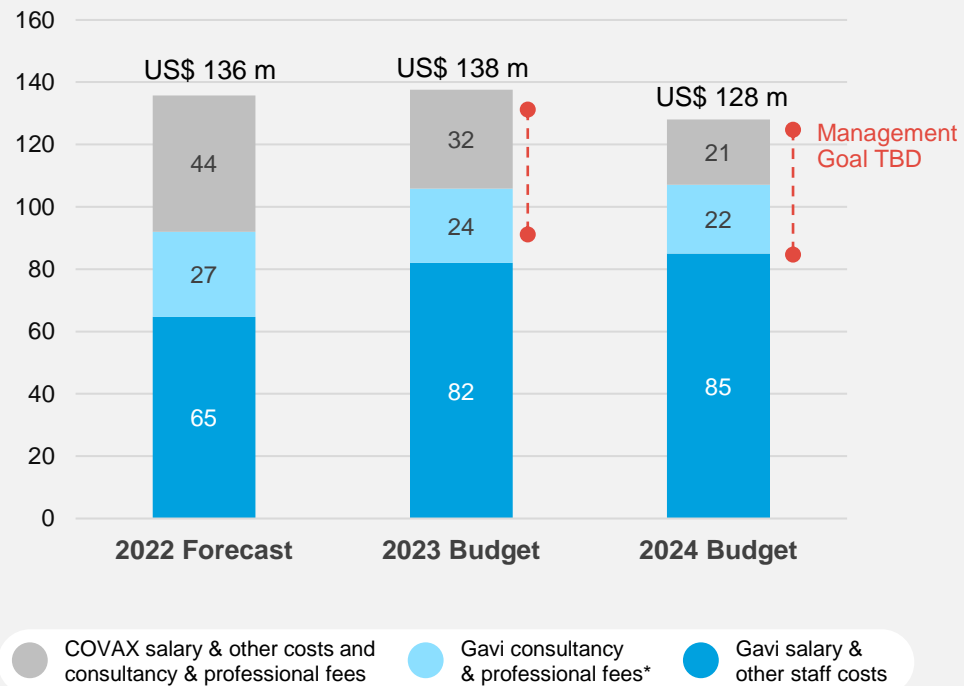
Surge in 2023-2024 to resource catch-up on delayed activities and **implement key initiatives**

Synergies and efficiencies related to **Operational Excellence** and COVAX Integration to be defined and reflected

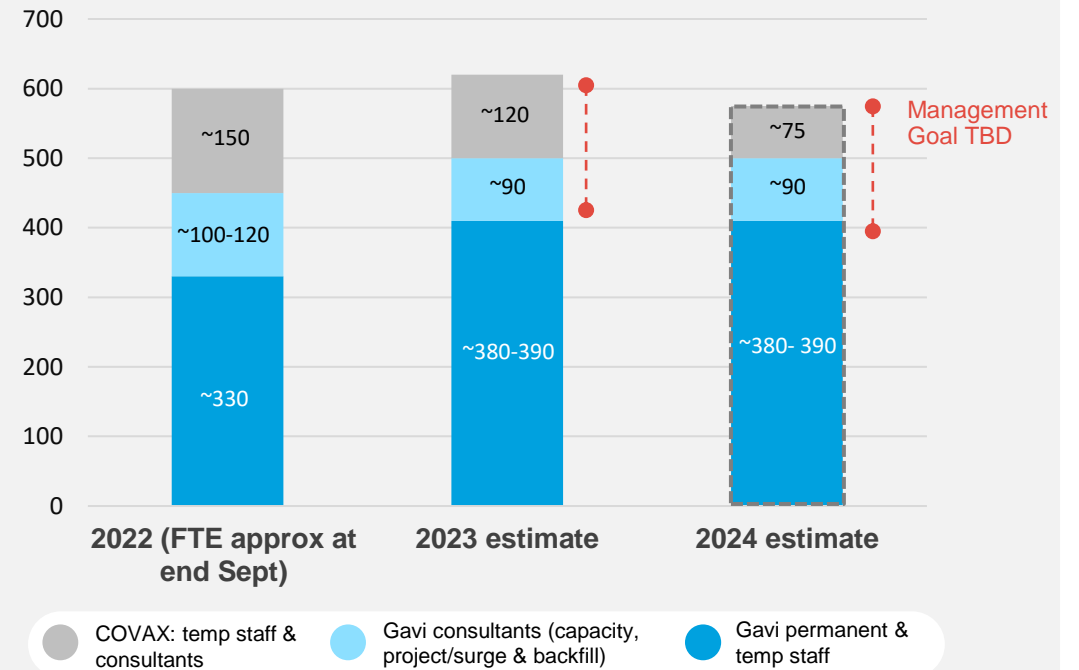
Some spend **flexibility** assumed in budget

Current Workforce Baseline

Gavi Secretariat & COVAX AMC: Salary & Other Staff Costs and Consultancy & Professional Services (US\$ m)



Gavi Secretariat & COVAX AMC: Workforce Baseline (FTE) excluding Efficiency Goal



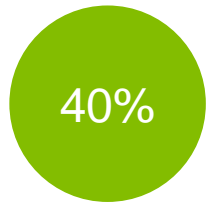
* Professional fees include fees for corporate services providers and professional services

Efficiency Goal

- **Operational Effectiveness** will focus on secretariat processes, systems, and people. Alliance partners engagement and effectiveness in scope. Set-up for long-term sustainability
- Currently, **costs of operational effectiveness initiatives are included** in the budget (e.g. EVOLVE, 40-50 project/surge consultants), but **benefits are not yet quantified nor reflected**. Prioritisation of initiatives with major impact
- Workforce baselining still underway with **functional deep dive reviews** to be undertaken to assess resourcing levels and **define management goals**
- **Holistic workforce planning** to be implemented going forward, including appropriate balance of permanent and temporary staff, consultants, and interns. **COO ownership** of culture and onboarding, with management oversight of recruitment
- **Systematic, transparent reporting** on workforce and progress on operational excellence goals

Operational Excellence Journey

Complexity starting point



of Gavi team initiatives are OE related



working on OE-related projects

Initial roadmap towards operational excellence

	2022		2023		2024+
Enterprise PMO	Soft launch	2-year roadmap	Monitor & de-bottleneck	Review roadmap	Monitor & de-bottleneck
Innovate (EVOLVE)	Baseline 'as is'	Design 'To-be' state with KPI's Implement of quick wins		Implement new processes & systems	
Integrate (COVAX)	Design & early progress	Full implementation of COVAX integration		COVID-19 2024-2025 in progress	
Improve (Simplify)	Simplify perform. mgmt	Prioritise initiatives	Address urgent simplification priorities & quick wins	Longer term simplification & potential holistic organizational review	
Invigorate (Culture)	Start leadership journey	Prioritise initiatives	Continue leadership journey Work towards engaged and motivated workforce		
Inform	Continuous communication and change management				

Notes

COVAX Org design is being planned for finalisation in Q1 2023, with implementation in remainder of 2023 in time for the 2024-2025 C19 programme

EVOLVE "To-Be" grant management cycle being planned in 2023, with quick wins triggered for implementation. Full implementation will only be completed by 2025 in preparation for Gavi 6.0

Gavi Core (2021-2025) Forecast

US\$ million, cash-flow basis

	2021-2025			
	Prior Forecast (v19.1) June 2022	Change upon updating estimates	Decisions for consideration in Dec 2022	New Forecast (v20.0) Dec 2022
Assured Resources (projected)	10,146	(301)		9,845
Allowance for Further Direct Contributions (not yet pledged)	535	0		535
Qualifying Resources	10,681 \$10.7 bn	(301)	0	10,380 \$10.4 bn
Forecast Expenditure	10,434 \$10.4 bn	(317)	80	10,196 \$10.2 bn
Available for future investments	247 \$0.2 bn	16	(80)	183 \$0.2 bn

Decisions for consideration by the Board

(US\$ million)

Revision to Eligibility & Transition policy	53
Revision to Eligibility & Transition policy (Malaria)	27
TOTAL	80

Decision amount

UPDATES TO FORECAST

- Lower qualifying Resources US\$ 301 m
- Lower forecast Expenditure US\$ 317 m
- New Investments US\$ 80 m



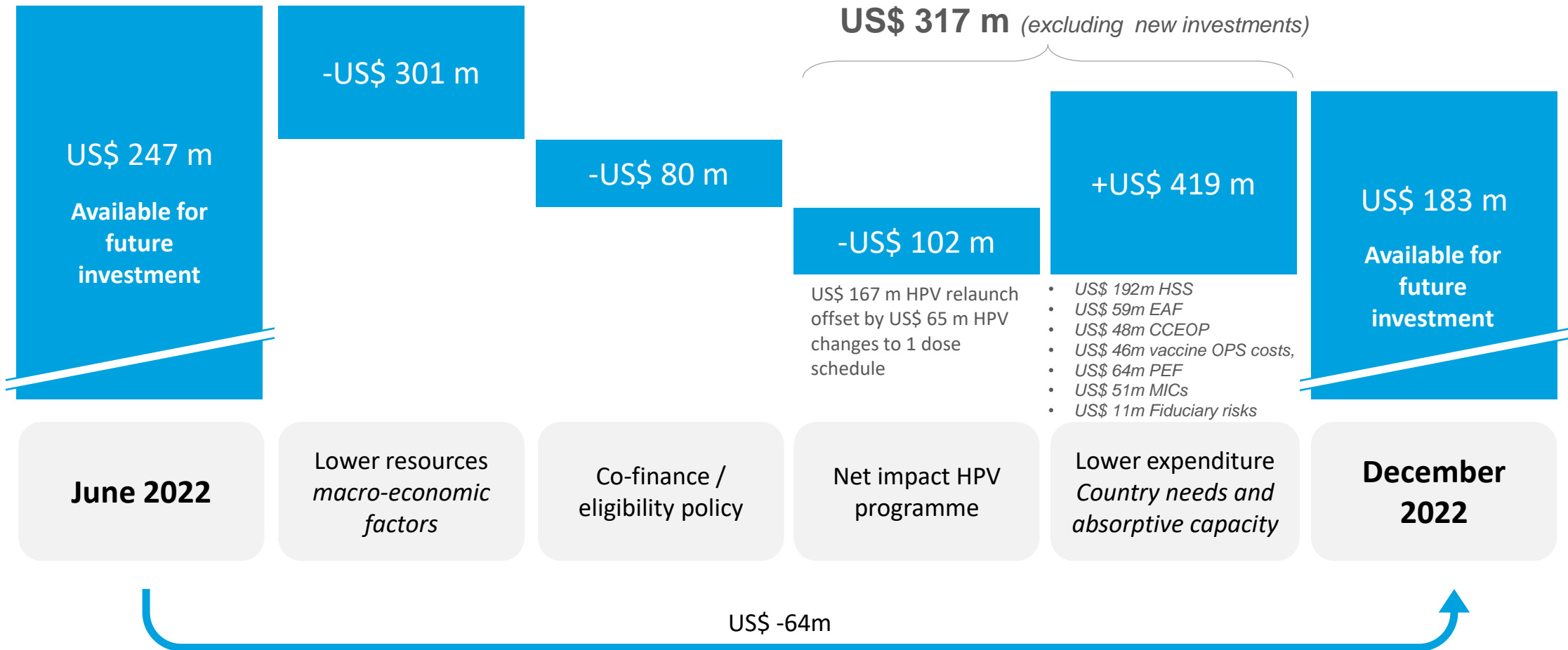
US\$ 183 m available for future investments

Sufficient financial flexibility

Note: m = millions; bn = billions

Gavi Core (2021-2025)

US\$ 183 m remains available for future investments



COVAX AMC (2021-2023) Forecast

US\$ million, cash-flow basis

		2021-2023				
		Forecast June 2022 Board	Change upon updating estimates	Manufacturer Renegotiation	2023 Boosters	New Forecast Dec 2022 Board
A	Qualifying Resources	12,265 \$12.3 bn	212	-	-	12,477 \$12.5 bn
B	Forecast Expenditure	12,066 \$12.1 bn	(387)	(1,858)	836	10,657 \$10.7 bn
C	Pandemic Vaccine Pool		799	1,858	(836)	1,821
D=A-B-C	Available for future investments	178 \$0.2 bn	\$2.7bn PVP			- \$0.0 bn

UPDATES TO FORECAST

- Successful renegotiation US\$ 1.9 bn released ~ 433m doses
- 2023 demand estimate US\$ 0.8 bn



US\$ 2.7 bn
available in the Pandemic Vaccine
Pool (PVP)
subject to donors' approval

Note: m = millions; bn = billions

Note: COVAX AMC Programme started at the end of 2020, of which total 2020 Resources and Expenditure are included here

Secretariat Budget 2023 and 2024

(excluding COVAX)

Accrual basis

All values in US\$ m

Full Year Values unless otherwise stated

	2022		2023	2024	2023	2024
	Budget 5.0	Forecast	Budget 5.0	Budget 5.0	Variance (vs 2022 forecast)	Variance (vs 2023 budget)
Salary and Other staff costs	75.3	64.7	82.0	85.0	27%	4%
Consultancy & Professional Services	22.6	27.3	23.8	22.1	-13%	-7%
Facility & Office costs	10.0	10.6	11.3	11.8	6%	4%
Travel, subs & accommodation	6.1	2.9	6.6	6.6	131%	0%
Events & Mtgs	3.5	2.6	4.0	4.0	53%	0%
Other costs	6.1	5.2	6.8	7.0	30%	4%
Total Secretariat excl. One-off expenditure and FX	123.7	113.3	134.5	136.5	19%	1%
One off expenditure	4.4	1.7	8.6	8.1	406%	-6%
Gavi 5.0 reaffirmed priorities and Flexibility	5.8	0.0	10.0	10.0	-	0%
Impact of Foreign exchange rate assumptions	0.0	0.0	(3.3)	(1.8)	-	-45%
Secretariat incl. One-off expenditure and FX	133.9	115.0	149.8	152.8	30%	2%
Approved carryforward of 2021 underspend	12.5	0.0	0.0	0.0		
Total Secretariat including Board approvals	146.4	115.0	149.8	152.8	30%	2%

2023 and 2024 budget remain within the approved Board forecast

2023 budget variance: main drivers

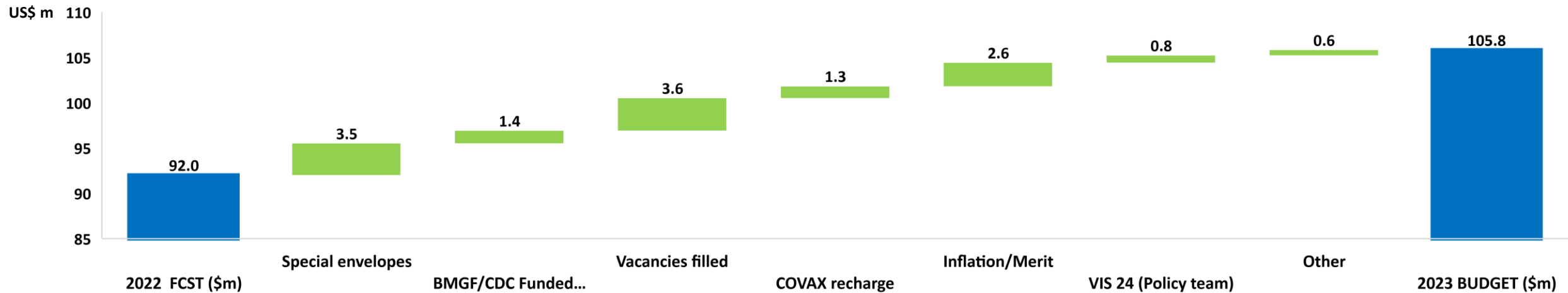
- Workforce costs: staff and consultancy costs (US\$ 13.8 m)

	2022	2023	Variance	
			US\$	%
Salary and Other staff costs	64.7	82.0	17.3	27%
Consultancy & Professional Services	27.3	23.8	-3.5	-13%
Workforce Total	92.0	105.8	13.8	15%

- One-off projects (US\$ 6.9 m)
 - Evolve
 - Continuous Improvement
 - MTR
- Flexibility (US\$ 10 m)

- 2024 budget: slight increase representing mainly the impact of inflation (US\$ 3 m).

Gavi 5.0 Salary and Consultancy increase driven mainly by already approved initiatives and decisions



Drivers confirmed and Crystallised (US\$ 9.6 m/+10%)

- **Special Envelopes (MICS, Malaria):** MICS roles transferred from COVAX 1 Jan 2023; Malaria recruitment underway
- **BMGF/CDC funded roles:** 7 roles funded in 2022 by BMGF/CDC to be funded by Secretariat from 1 Jan 2023 as roles considered core
- **COVAX recharge:** will stop from 1 Jan 2023
- **Merit and Inflation:** based on planned merit rises and inflation assumptions
- **VIS 2024:** US\$ 0.8 m increase in expenditure relating to additional consultancy investment in Vaccine Investment Strategy (VIS) 5-year cycle ahead of Gavi 6.0 strategy

Other budget assumptions (US\$ 4.2 m/+5%)

- **Vacancies filled (US\$ 3.6 m)**
 - Recruitment for current vacancies
 - Targeted roles for Gavi 5.1, leadership transition and strengthening risk management
 - 3.5% vacancy/attrition rate assumed for 2023
- **Other (US\$ 0.6 m)** Includes placeholder for impact of in-year promotions etc.

COVAX Budget 2023-2024

<i>Accrual Basis</i>	2022		2023	2024	2023	2024
	Budget	Forecast	Budget	Budget	Variance	Variance
	COVAX	COVAX	COVAX	Gavi 5.1	(vs 2022 forecast)	(vs 2023 budget)
<i>All Values in \$US m</i>						
<i>Full Year Values unless otherwise Stated</i>						
Salary & other Staff Costs	12.0	10.9	8.7	5.7	-20%	-34%
Consultancy & Professional Services	35.2	32.8	23.1	15.2	-29%	-34%
Travel, subs & accommodation	0.9	0.6	1.0	0.9	55%	-6%
Events & Mtgs	1.0	1.0	1.0	0.8	4%	-18%
Other Costs	8.1	4.1	9.2	5.1	125%	-45%
Total COVAX excl. one-off expenditure & FX	57.2	49.4	43.0	27.7	-13%	-36%
PEF Procurement Fees	11.2	9.1	5.2	2.4	-43%	-55%
Total COVAX & PEF	68.4	58.4	48.2	30.0	-18%	-38%

Progressive phase down in line with COVAX mandate (2021-2023)

2023 COVAX budget: US\$ 48 m

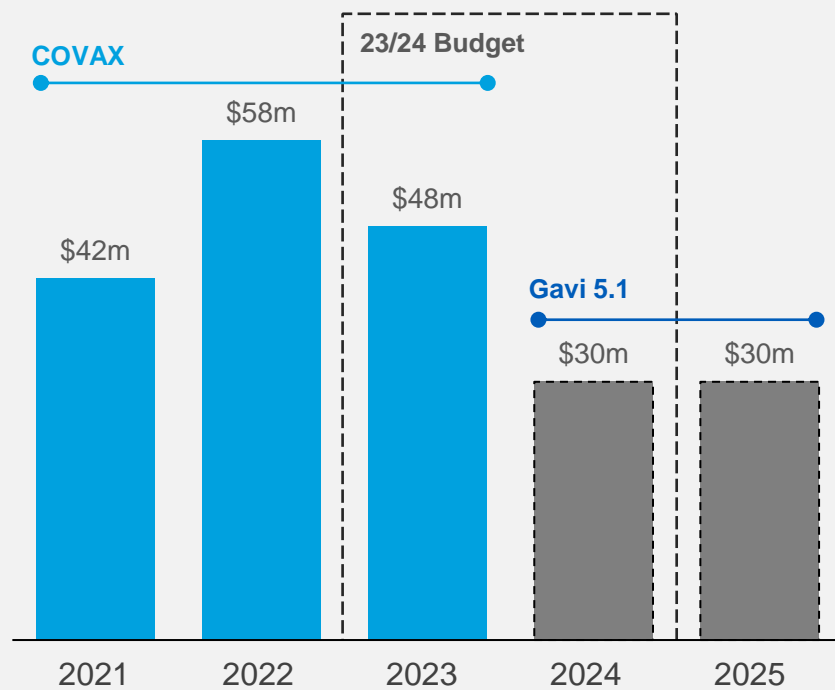
- Declining activity leading to 21% reduction in staffing and 30% in consultancy costs

2024 COVAX budget: US\$ 30 m

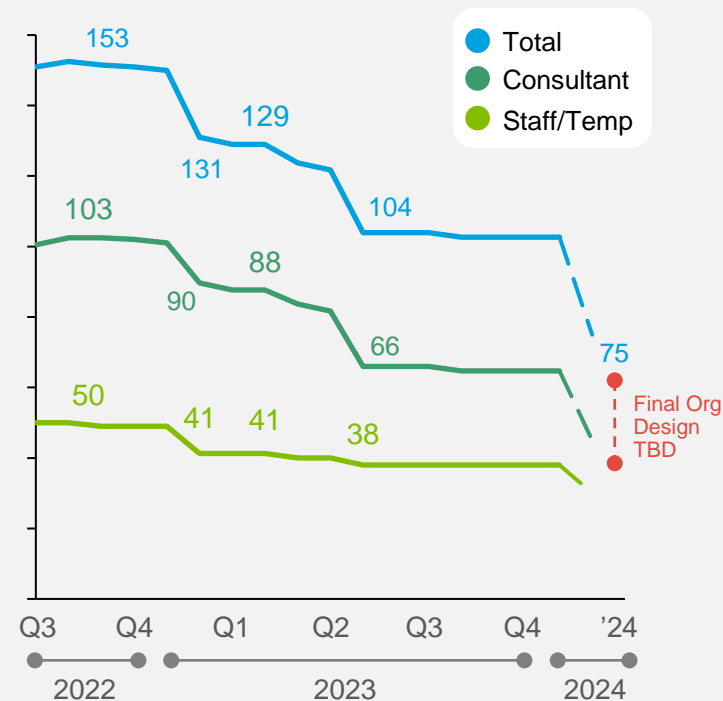
- C-19 routine programme and pandemic preparedness and response (PPR) under Gavi 5.1
- Contingent on Board approval

COVAX: Resourcing levels and associated budget to decline with progressive ramp-down of COVAX facility

COVAX & Gavi 5.1
Operational Costs in US\$ millions; 2021-2025



Positions (FTEs) Forecast; Q3 2022-2024



Overarching resourcing levels declining; exact figures for 2024-2025 pending further programmatic clarity; expected mid-2023

Several in progress COVAX items creating uncertainty including

- Finalising APA renegotiations
- SFPs close-outs
- Uncertainty on future demand

Future workload drivers for 2024+ include

- Tail COVAX activity
- 2024-2025 C19 programme operations
- Expanded PPR activities

Risks

Resources

- **Fiscal pressure** delaying inflows/ pledges signatures
- **Market conditions** : IFFIm funding capacity, FX fluctuations

Expenditures

- **Economic downturn** in implementing countries can impact their co financing commitment (despite additional flexibility offered by the new policy)
- **Absorption capacity** in countries post the acute phase of the pandemics (lower financial costs)
- **Country priorities** (of health and within health)
- Higher impact from **inflation** (on both vaccines and cash based programmes)
- A more extreme **pandemic scenario** (either increasing or decreasing)

Opportunities

Resources

- **Revenue optimisation** (short term portfolio)
- Review how to forecast Investment Portfolio income (complete benchmark of similar organisations)
- SFP participants donating resources (\$ cash/ doses) to COVAX AMC

Expenditures

- **Operational Excellence** Outcomes

Financial Forecast and Budget – Key messages

- Secretariat and PEF budget for 2023-2024 remain within Board approved Forecasts
- Updated forecasts show available resources to fund decisions presented to the Board for approval following the recommendations of the PPC and AFC
- Leaving financial flexibility to deliver on some of the future strategic decisions as decided by the Board

Recommendation (1/2)

The Gavi Alliance Audit and Finance Committee reviewed the Financial Forecast and **recommends** to the Gavi Alliance Board that it:

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations made by 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) Strategic Period of Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.2 billion;
- c) **Approve** the updated Financial Forecast for **COVAX AMC** (2020-2023) of Qualifying resources of US\$ 12.5 billion and Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 10.7 billion base expenditure and US\$ 1.8 billion pandemic vaccine pool);
- d) **Approve** the illustrative Financial Forecast for the Gavi 6.0 (2026-2030) Strategic Period of Qualifying Resources of US\$ 8.8 billion and Forecast Expenditure of US\$ 8.5 billion noting that only **existing programmes have been forecast** and the forecast has been prepared to enable the Secretariat to allot funding to these programmes in accordance with the Programme Funding Policy and **does not prejudge future donor contributions or future investment decisions.**

Recommendation (2/2)

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

- a) **Approve**, US\$ 149.8 million in 2023 and US\$ 152.8 million in 2024 for Secretariat Resources excluding COVAX
- b) **Approve**, US\$ 1.0 million in 2023 and US\$ 1.0 million in 2024 for capital expenditure budgets.
- c) **Approve** the COVAX Operating budget of US\$ 43 million in 2023.
- d) **Approve** the Gavi 5.1 Operating budget for the additional targeted priorities related to the pandemic of US\$ 27.7 million in 2024 noting these additional priorities are subject to Board approval of the Gavi 5.1 strategy and contingent on funding being made available.
- e) **Approve** US\$ 73.9 million in 2023 and US\$ 73.1 million in 2024 for the Partners' Engagement Framework budget including:
 - i. US\$ 5.2 million in 2023 for COVAX procurement fees
 - ii. Continuation of US\$ 2 million complexity fee relating to UNICEF procurement of Gavi 5.0 vaccines during the pandemic for both 2023 and 2024;
 - iii. US\$ 2.4 million in 2024 for procurement fees for the additional targeted priorities related to the pandemic noting these additional priorities are subject to Board approval of the Gavi 5.1 strategy and contingent on funding being made available

Thank You