
Subject **Financial update, including forecast**

Agenda item **04a**

Category **For Decision**

Section A: Executive Summary

Context

This paper presents the updated Financial Forecasts for Gavi 5.0 (2021-2025), COVAX AMC (2020-2023) and Gavi 6.0 (illustrative) (2026-2030) to the Board for approval based on a recommendation from the Audit and Finance Committee (AFC).

The **Gavi 5.0** forecast confirms sufficient financial flexibility given the uncertain context with US\$ 183 million available for future investments.

- The updated forecast includes the impact of the HPV relaunch (US\$ 167 million) and proposed revision to the Eligibility & Transition and Co-Financing policies (US\$ 80 million), both of which are being presented for decision at this meeting.
- The underlying forecast reflects a decrease of US\$ 301 million in resources due to the impact of macro-economic factors (noting no change to underlying pledges), and a decrease in programmatic expenditures of US\$ 317 million reflecting continued disruption of routine immunisation due to the pandemic as well as greater visibility on country needs and absorptive capacity (based on existing resources in-country).
- Key elements of Gavi 5.1 are still under development and therefore this updated forecast does not include programmatic estimates related to regional manufacturing diversification, a potential ongoing routine COVID-19 immunisation programme, or Gavi's future role in pandemic preparedness and response, noting these elements are pending further Board approval.

The **COVAX AMC** forecast reflects the status of negotiations with COVID-19 vaccine manufacturers and includes an estimate of US\$ 1.9 billion reduction in vaccine liability. Included in the forecast is US\$ 2.7 billion under the Pandemic Vaccine Pool, with US\$ 0.8 billion anticipated to be used in 2023, subject to AMC Investors Group approval. Therefore, US\$ 1.8 billion is anticipated to be available to respond to potential future escalations in the pandemic.

Questions this paper addresses

Is there sufficient funding available to deliver on Board-approved priorities for Gavi 5.0 and COVAX AMC, with adequate financial flexibility remaining to respond to the uncertain operating context?

What elements of Gavi 5.1 are included in the financial forecast, and which items still require financial implications to be determined and reflected?

Conclusion

The AFC reviewed the Financial Forecasts and concluded that the funding was available for the additional investment priorities and recommends the Board approves the following updated Forecasts:

- **Gavi 5.0** (2021-2025): Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.2 billion;
- **COVAX AMC** (2020-2023): 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); and
- **Gavi 6.0 (illustrative)** (2026-2030): prepared to comply with the Programme Funding Policy, with Qualifying Resources of US\$ 8.8 billion and Forecast Expenditure of US\$ 8.5 billion.

Section B: Financial Update, including forecast

2. Gavi 5.0 Financial Forecast

Figure 1: Gavi 5.0 Financial Forecast Overview

US\$ million, cash-flow basis

	2021-2025			New Forecast (v20.0) Dec 2022 Board
	Prior Forecast (v19.1) June 2022 Board	Change upon updating estimates	Decisions for consideration in 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	(301)	0	10,380
	\$10.7 bn			\$10.4 bn
Forecast Expenditure	10,434	(317)	80	10,196
	\$10.4 bn			\$10.2 bn
Available for future investments	247	16	(80)	183
	\$0.2 bn			\$0.2 bn

Decisions for consideration by the Board (US\$m)	Decision amount
Revision to Eligibility & Transition policy	53
Revision to Eligibility & Transition policy (Malaria)	27
TOTAL	80

- 2.1 While underlying donor contributions remain robust and are unchanged from the prior forecast, **Qualifying Resources** are US\$ 301 million lower due to macro-economic factors, principally adverse foreign exchange and financial market movements impacting the current value of direct contributions, IFFIm (International Finance Facility for Immunisation) proceeds and Investment Income. The Secretariat continues to prioritise finalising the remaining donor agreements and contribution schedules to enable further hedging and reduce

volatility. The Allowance for Future Direct Contributions not yet Pledged remains unchanged.

- 2.2 **Forecast Expenditure** (before the impact of future investment decisions) is US\$ 317 million lower than the prior forecast reflecting in-country implementation delays as well as country absorption capacities based on the additional cash influx in countries during the COVID-19 pandemic. The pandemic has impacted the implementation of countries' Health Systems Strengthening (HSS) programmes, as well as caused delays in conducting Full Portfolio Planning (FPP) and developing Equity Accelerator Fund (EAF) applications to access funds. In addition, the Alliance now has a clearer understanding of country needs and absorptive capacity (given the resources already available in-country) in the outer years of the strategic period including the impact of new resources available through COVID-19 vaccine Delivery Support (CDS).
- 2.3 The reduction in forecast expenditure as well as savings related to some countries transitioning from a 2-dose to 1-dose schedule enables the **HPV programme relaunch** costs under Gavi 5.1 to be absorbed within the existing forecast. In addition to the already planned investments of US\$ 444 million for the HPV programme reflected in the forecast, a further US\$ 167 million has been included for 2023-2025 for the HPV relaunch, meaning a total of US\$ 611 million is forecast for the HPV programme. The additional funding for the HPV relaunch includes an investment of US\$ 69 million for additional vaccine doses to extend coverage, as well as increased cash support in HSS (US\$ 40 million), PEF (US\$ 45 million), campaign operational costs (US\$ 9 million) and Secretariat costs (US\$ 4 million) to extend and strengthen outreach and partnerships. The Secretariat is in the process of operationalising this additional funding to countries. For HSS funding, opportunities will be sought to leverage existing cash balances in-country as well as ensuring HPV is incorporated into broader country portfolio planning, with top-up funding available to ensure sufficient resources for HPV-related needs. Given the inherent uncertainty on country absorption, especially given additional CDS funding, expenditure will be closely monitored. Regular reporting on the programme will be undertaken and any potential resource-constraints will be escalated to the Board and relevant committees.
- 2.4 In addition, country engagement and detailed planning has been underway around the **MICs approach**, providing greater clarity on anticipated disbursements in the strategic period. Whilst allocation of funding may align to the full approved envelope (and will be subject to continuous review based on evolving programmatic needs), expenditure forecasts for the strategic period have been revised downwards by US\$ 50 million, based on current assessment of needs and recalibrated introduction expectations.
- 2.5 Forecast Secretariat expenditure (US\$ 666 million) remains in line with previous Board decisions and reflects the rephasing of activities delayed by the pandemic, the impact of new initiatives, as well as the absorption of inflation. See Doc 04b

– *Partners Engagement Framework and Secretariat Budget (2023–2024)* for more details.

2.6 The Financial Forecast has also been updated to reflect the investment decisions related to the revisions of the Eligibility & Transition and Co-Financing policies (US\$ 80 million) to be considered at this Board meeting.

3. COVAX AMC Financial Forecast

3.1 *Figure 2: COVAX AMC Financial Forecast Overview*

US\$ million, cash-flow basis		2021-2023				New Forecast Dec 2022 Board
		Forecast June 2022 Board	Change upon updating estimates	Manufacturer Renegotiation	2023 Boosters	
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	US\$ 2.7 bn			- \$0.0 bn

D Available for future investments includes US\$ 22 million cost sharing backstop in the June 2022 forecast which is no longer shown here

3.2 Compared with the Prior Forecast approved by the Board in June 2022, new pledges have added net US\$ 0.2 billion to **Qualifying Resources**.

3.3 **Forecast Expenditure** is lower than the previous forecast at US\$ 10.7 billion due to the estimated US\$ 1.9 billion expenditure commitment reduction from rightsizing negotiations with vaccine manufacturers. This is a midpoint estimate with timing and amount subject to the outcome of those negotiations. US\$ 2.7 billion will be invested in the Pandemic Vaccine Pool (PVP), with US\$ 0.8 billion forecast to cover demand for 2023 including vaccine boosters for high-risk populations across AMC economies in line with WHO SAGE (Strategic Advisory Group of Experts on Immunization) guidance, subject to AMC Investors Group approval, resulting in US\$ 1.8 billion available to respond to potential future escalations in the pandemic.

3.4 Looking ahead to Gavi 5.1 for 2024 onwards, one scenario for potential future use of this pool could be to fund a future COVID-19 programme. Such a scenario would require approval from COVAX donors. The estimated 2024 to 2025 cost for this programme is approximately US\$ 1.8 billion (currently AMC91 economies, excluding India). As part of Gavi 5.1, the Alliance is considering strengthening its contribution to pandemic preparedness and response (PPR) through targeted additional investments in routine immunisation programmes

(e.g. information systems). The estimated cost would be US\$ 40 million in 2024 and 2025. An in-principle decision on these Gavi 5.1 priorities is being requested by the Board at this meeting, with availability of funding including from the PVP to be confirmed by the AFC and Board in June 2023.

3.5 **Dose-sharing** doses are excluded from the Financial Forecast. At the time of preparing the forecast, 1-1.2 billion doses are expected to be available to COVAX with an accounting value of US\$ 7-8 billion over the 2020-2023 period, of which 725 million doses have been delivered.

4. Financial Forecast: Gavi 6.0

4.1 The high-level illustrative Gavi 6.0 Financial Forecast set out below is presented to comply with the Programme Funding Policy (PFP) and enables the Board to take into account the longer-term implications when considering the funding of new programmes. Further, the PFP permits the Secretariat to allot funding only within the limits of a Board approved financial forecast, and therefore a forecast through to 2028 is required for allotment of funding to existing programmes under Multi-Year Approvals. **The forecast presented is not intended to prejudice donor contributions or future Board discussions on the Gavi 6.0 Strategy or other Strategic Investments.**

4.2 *Figure 3: Gavi 6.0 illustrative Financial Forecast**

Gavi 6.0 2026-2030				
	Prior Forecast (v19.1) June 2022	Change upon updating estimates	Decisions for Consideration in Dec 2022	New Forecast (v20.0) Dec 2022 Board
Assured Resources (projected)	648	(170)		478
Allowance for further Direct Contributions, not yet pledged (formula-driven, based on existing levels)	8,157	162		8,319
Qualifying Resources	8,805	(8)		8,797
	\$8.8 bn			\$8.8 bn
Forecast Expenditure (continuation of Existing Programmes, excluding future decisions on strategy and Strategic Investments)	7,809	545	135	8,489
	\$7.8 bn			\$8.5 bn
Potential Available for Further Investments	995	(553)	(135)	308
	\$1.0 bn			\$0.3 bn

Decisions for consideration by the Board		Decision amount
US\$ million	Revision to Eligibility & Transition policy	135

*The estimates for 2026-2030 are tentative and presented solely for the purpose of compliance with the Programme Funding Policy. **Qualifying Resources** is presented using a formulaic approach (with the **Allowance for Further Direct Contributions** based on **existing contribution levels** only). **Forecast Expenditure** pertains to continuation of existing programmes only and excludes future decisions on Strategy and Strategic Investments.

4.3 Qualifying Resources have been estimated at US\$ 8.8 billion based on the principles set out in the PFP with Allowance for Future Contributions not yet

Pledged based on current contribution levels from existing donors and not prejudging future donor contributions.

- 4.4 Forecast Expenditure of US\$ 8.5 billion is presented based on estimates for the continuation of existing programmes only. As the Board has not yet formally considered the Gavi 6.0 Strategy, the forecast does not include the financial impact of future Board decisions and does not consider future investment opportunities, including Malaria, longer term support for COVID-19 vaccines, additional vaccine investment strategy (VIS) investments, and continuing support of the Zero-Dose agenda.
- 4.5 The Gavi 6.0 Financial Forecast has also been updated to reflect the investment decisions related to the revisions of the Eligibility & Transition and Co-Financing policies (US\$ 135 million, excluding the Gavi 6.0 impact from the proposed change to the Eligibility and Transition policy related to malaria co-financing, until future malaria support approved for Gavi 6.0) to be considered at this Board meeting.

5. Risks and Opportunities

- 5.1 As outlined in Doc 05 – *Risk and Assurance Report*, Gavi is operating in a highly uncertain context with the world facing a series of global shocks including the COVID-19 pandemic with health impacts and supply chain disruptions, the Russia-Ukraine crisis with food and energy shortages, increasing inflation and rising interest rates, as well as the visible impacts of climate change. The Secretariat has taken the current uncertainties into account in updating the forecast, and will continue to monitor, react to, and mitigate risks, in particular programmatic needs and macro-economic factors.

Section C: Actions requested of the Board

The Gavi Alliance Audit and Finance Committee reviewed the Financial Forecast and **recommends** to the 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 prejudice future donor contributions or future investment decisions**.

Additional information available on BoardEffect

Appendix 1 (in October 2022 AFC meeting book): Doc 03a: *Financial Forecast*