

SUBJECT: COVAX AMC FINANCIAL FORECAST

Agenda item: 04b

Category: For Decision

Section A: Executive Summary

This report presents to the Gavi Alliance Board the COVAX Financial Forecast (“Forecast”) for the Gavi COVAX Advance Market Commitment (COVAX AMC) economies for the period 2020 to 2022, including both procurement and delivery of COVID-19 Vaccines. Focused only on the AMC, it does not provide a forecast for Self-Financing Participants (SFPs) resources and expenditure.

The Forecast is currently presented separately to the Board (Doc 04a). Effective from the next forecast cycle, the Secretariat will include the COVAX Facility in the regular forecast process and present a consolidated view.

The Board is requested to note the financial implications of the recommendations from the Programme and Policy Committee (PPC) and conclude that these recommendations could be approved by the Board in accordance with the Programme Funding Policy. The Board is also requested to approve the 2021-2022 COVAX AMC Financial Forecast.

Section B: COVAX AMC Financial Forecast

1. Context

- 1.1 The forecast presented includes the results of the COVAX AMC Summit “One World Protected” event which exceeded its US\$ 2 billion fundraising target in June 2021, achieving US\$ 2.5 billion in new pledges. The funds raised will enable COVAX to secure approximately 2 billion doses of COVID-19 vaccines for lower-income countries participating in the COVAX AMC. A further US\$ 925 million of funding has been mobilised for in-country delivery (US\$ 775 million of donor funds and US\$ 150 million approved by the Board from Gavi Core resources) that means that the total COVAX AMC resource forecast is US\$ 10.6 billion.
- 1.2 In addition to cash resources pledged, donors have also committed to donate doses to the Facility primarily to the COVAX AMC, totalling more than 500 million doses. We have also started accepting and distributing doses from France and New Zealand, with many more to come. Belgium, Denmark, Germany, Italy, Spain, Sweden, other member countries of the EU, Canada, Japan and Norway have announced plans to donate doses through COVAX. The United States of America committed 80 million in dose

donations (60 million through COVAX), followed by a second announcement of 500 million doses of Pfizer-BioNTech to be mobilised through COVAX (of which 200 million doses are additional through dose donations and included in the 500 million dose donation total). Team Europe has also announced its intent to provide COVAX more than 100 million doses through dose donations, and the UK has committed 100 million doses (80 million through COVAX). We are urging donors to provide donated doses now and through Q3, while the supply is most limited – and not to wait until Q4. Methodology to value donations will be developed and agreed with donors and stakeholders in the coming months. The accounting policy is under review and will be presented to a future COVAX AFC ahead of the presentation of the Q2 results.

- 1.3 The forecast does not include the additional future funding requirements for 2022. The strategy for 2022 is currently in development. The WHO target coverage and booster strategy is still to be finalised as are the potential sources of funding. The forecast also does not include the ‘cost sharing’ initiative (currently in its final stages of design) where AMC countries utilise domestic resources and/or multinational development bank (MDB) funds to access additional doses from the COVAX portfolio through the Facility.
- 1.4 The COVAX vaccine portfolio is under regular review by the Market-Sensitive Decisions Committee (MSDC), Independent Product Group (IPG) and other key stakeholder groups. The Facility has a broad portfolio of vaccines and vaccine candidates across the major vaccine technologies.

The paper details vaccine spend in three categories:

- a) Public ‘firm order commitments’, where the vaccine manufacturer is named.
 - b) Deal (value) in late-stage negotiation, where the vaccine manufacturer is not named, and deal is subject to MSDC approval.
 - c) Contracted options (the value of options that the Facility is planning to trigger but the decision (to trigger) is confidential or is still pending).
- 1.5 COVAX has built a large and diverse portfolio of vaccines of almost 5 billion doses based on the initial 2020-2021 portfolio objectives to maximise affordability, ensure early volumes of front runner vaccines, and ensure diversity across candidates to protect against attrition.
 - 1.6 Following the successful *COVAX AMC Investment Opportunity* fundraising, we currently have a total of US\$ 9.7 billion to invest in vaccines for the Portfolio and the ancillary costs. This funding allows COVAX AMC to pay for doses from the contractual commitments with AstraZeneca, Pfizer, J&J, Moderna, Novovax and SII, that together with some new candidates and dose sharing will deliver a portfolio of around 2.5 billion doses for delivery in 2021-2022.

There are another 2.5 billion doses in the portfolio which have been secured and are available for participants which COVAX will require further funding for. This will be achieved by a combination of cost sharing (where funds are provided by MDBs for AMC participants to purchase these vaccines) and new AMC fundraising.

- 1.7 The COVAX supply schedule is subject to change by manufacturers (and other factors including EUL approval timing and export controls) and some volumes may not materialise (e.g. if there is a regulatory issue) or be rescheduled into 2022.
- 1.8 The PPC agreed to recommend to the Board the COVID-19 Delivery and System Strengthening (CDSS) programme envelope of US\$ 775 million. This is additional to the US\$ 150 million of Gavi core funds previously approved by the Board for COVID-19 CDSS costs.
- 1.9 The paper also includes an update on COVAX operating expenditure that is funded partly from AMC donors and partly from COVAX Self-Financing Participants (SFPs). The December 2020 Facility budget outlined a three-year overhead budget forecast in line with the contracted length of the Facility. While the future operating model for SFPs is being reviewed in parallel at this Board meeting, the COVAX Facility is expected to continue as a going concern until at least the end of 2022 although if the Board approved option 2, the AMC+, we will work to integrate the major parts of the Facility into the Gavi core during early 2022. The Facility is mostly resourced by temporary staff and contractors, and to ensure continuity, the Secretariat will extend key COVAX personnel into 2022 as contracts come up for renewal.

2. Facts and Data

Figure 1: COVAX AMC Financial Forecast (2020-2022)

US\$ million, cash-flow basis		2020	2021	2020-21	2021	2020-21	2022	2020-22
		Actuals	Budget Dec '20	Cumulative Budget	Latest Forecast (Jun '21)	Cumulative Forecast	Latest Forecast (Jun '21)	Total Forecast
A	Qualifying Cash Resources	773 \$0.8 bn	6,433 \$6.4 bn	7,206 \$7.2 bn	9,021 \$9.0 bn	9,794 \$9.8 bn	809 \$0.8 bn	10,603 \$10.6 bn
B	Forecast Expenditure	54 \$0.1 bn	7,122 \$7.1 bn	7,176 \$7.2 bn	5,654 \$5.7 bn	5,708 \$5.7 bn	4,648 \$4.6 bn	10,355 \$10.4 bn
C=A-B	Available for future investments	719 \$0.7 bn	(689) (\$0.7 bn)	31 \$0.0 bn	3,367 \$3.4 bn	4,087 \$4.1 bn	(3,839) (\$3.8 bn)	247.8 \$0.2 bn

*Non-Cash Resources (Dose Donations)** **Value of Dose Donations subject to multiple stakeholders review*

2.1 The Forecast includes US\$ 10.6 billion in total qualifying cash resources.

2.2 US\$ 10.4 billion of these cash resources have been allocated to forecasted expenditure leaving US\$ 248 million available for future investments or contingency for uncertainty. In line with the COVAX risk management

framework agreed with the AFC, COVAX will not enter into any financial commitments not supported by assured resources.

- 2.3 The Forecast cash resources enable COVAX to procure approximately 2 billion doses of COVID-19 vaccines for AMC economies. Dose donations are expected to provide an additional 500 million doses, resulting in total COVAX AMC doses of 2.5 billion across 2021 and 2022 and among multiple vaccine manufacturers.

Figure 2: COVAX AMC Forecast of Qualifying Resources (2020-2022)

US\$ million, cash-flow basis	2020	2021	2020-21	2021	2020-21	2022	2020-22
	Actuals	Budget Dec '20	Cumulative Budget	Latest Forecast (Jun '21)	Cumulative Forecast	Latest Forecast (Jun '21)	Total Forecast
Resources Available							
Direct contributions - Vaccines (projected)	323	5,795	6,118	7,145	7,469	1,053	8,522
IFFIm Proceeds (projected)	-	882	882	1,156	1,156	-	1,156
Subtotal Vaccines (projected)	323	6,677	7,000	8,302	8,625	1,053	9,678
Direct contributions - Delivery (projected)		56	56	775	775	-	775
Gavi Core Contribution - Delivery (projected)	150	-	150	-	150	-	150
Subtotal Delivery (projected)	150	56	206	775	925	-	925
EIB Loan Proceeds	-	293	293	537	537	-	537
BMGF Loan Proceeds	300	-	300	-	300	-	300
Investment Income, etc.	-	-	-	0	0	-	0
Total Inflows	773	7,026	7,799	9,614	10,387	1,053	11,440
EIB Loan Repayment		(293)	(293)	(293)	(293)	(244)	(537)
BMGF Loan Repayment		(300)	(300)	(300)	(300)	-	(300)
Qualifying Cash Resources (US\$)	773	6,433	7,206	9,021	9,794	809	10,603
	\$0.8 bn	\$6.4 bn	\$7.2 bn	\$9.0 bn	\$9.8 bn	\$0.8 bn	\$10.6 bn
<i>Non-Cash Resources (Dose Donations)*</i>							

*Value of Dose Donations subject to multiple stakeholders review

- 2.4 The Gavi COVAX AMC Summit “One World Protected” virtual event, hosted on 2 June 2021 by the Government of Japan and Gavi, raised US\$ 2.5 billion from nearly 40 donor governments, the private sector and foundations, exceeding the funding target and bringing the total pledged to the COVAX AMC to US\$ 9.7 billion to date.
- 2.5 The COVAX AMC vaccine resources forecast is US\$ 9.7 billion made up of US\$ 8.5 billion of direct contributions, US\$ 1.2 billion of IFFIm contributions.
- 2.6 IFFIm disbursements are currently forecast at 100% of their respective pledges. Normally, IFFIm disbursements are subject to a 70% gearing ratio on the total Facility pledges. The Facility is working to find a solution to mobilise 100% of IFFIm COVAX pledges, while not impacting the funding of Gavi 5.0.
- 2.7 The COVAX delivery forecast is a total of US\$ 925 million combining US\$ 775 million of new donor contributions and US\$ 150 million of funding from core Gavi core resources as approved by the Board in September 2020. On consolidation of the Gavi core Financial Forecast and the COVAX

AMC Financial Forecast, the US\$ 150 million will be removed from the COVAX Forecast as it is a Gavi 5.0 Programme Expense.

- 2.8 The COVAX Facility has also agreed two zero-interest loan mechanisms that are providing liquidity ahead of donor cash payments. It is assumed that both loans will be repaid by the end of the Facility:
- US\$ 537 million loan as a frontloading facility from the European Investment Bank providing general liquidity for the Facility to frontload cash from pledges.
 - US\$ 300 million loan from the Bill and Melinda Gates Foundation to provide liquidity for working capital to the Serum Institute of India (SII)
- 2.9 Non US\$ AMC contributions are hedged at the point when they are signed (if there is a gap between signature and payment).
- 2.10 Investment income from AMC Qualifying Resources is forecast to be US\$ 220,000 as the amounts will route quickly through the Facility.

Figure 3: COVAX AMC Forecast of Expenditures (2020-2022)

US\$ million, cash-flow basis	2020	2021	2020-21	2021	2020-21	2022	2020-22
	Actuals	Budget Dec '20	Cumulative Budget	Latest Forecast (Jun '21)	Cumulative Forecast	Latest Forecast (Jun '21)	Total Forecast
Forecast Expenditure							
SII AZ	-			309	309	411	720
SII Novavax	-			390	390	510	900
AZ	-			280	280	-	280
Pfizer	-			1,539	1,539	675	2,214
J&J	-			725	725	-	725
Novavax	-			217	217	803	1,020
Moderna	-			340	340	-	340
Open deals and Options to be triggered	-			846	846	1,617	2,463
Ancillary Vaccine Costs							
Devices	-			73	73	59	132
Freight	-			167	167	134	301
Cost Buffer	-			21	21	17	38
Insurance Costs							
No Fault Compensation	-			104	104	84	188
Global Health Risk Facility	-			18	18	35	53
Vaccine programmes	-	7,000	7,000	5,028	5,028	4,346	9,373
CDSS / cross-cutting delivery elements	-	-	-	496	496	269	765
CCEOP programmes (from Core funding)		60	60	69	69	-	69
PEF - Programmatic							
Targeted country assistance (from Core fundin	51	39	90	30	81	-	81
Procurement fees	0	6	7	8	9	8	17
Programmatic Expenditure	52	7,105	7,157	5,630	5,682	4,623	10,305
Secretariat COVAX Vaccines - OpEx	2	17	19	19	21	19	40
Secretariat COVAX Delivery - OpEx	-	-	-	4	4	6	10
Operating Expenditure	2	17	19	23	26	25	50
Total Expenditure	54	7,122	7,176	5,654	5,708	4,648	10,355
	\$0.1 bn	\$7.1 bn	\$7.2 bn	\$5.7 bn	\$5.7 bn	\$4.6 bn	\$10.4 bn

- 2.11 Based on the most recent vaccine supply forecast, deal negotiations with manufacturers, and decisions taken by the MSDC, the Facility is currently forecasting expenditure of US\$ 9.4 billion on total AMC vaccine

programmes. The allocation of volume between COVAX AMC and Self-Financing Participants is consistent with the supply schedules.

- 2.12 Firm order commitments have been agreed with five vaccine manufacturers (AZ, Pfizer, J&J, Novavax, and Moderna) as well as SII versions of the AZ and Novavax vaccines.
- 2.13 Further deals are in the final stages of negotiation and options are in place with manufacturers providing the flexibility to access volumes as the portfolio demands (including for variants) and subject to funding and the Risk Management framework agreed with the AFC.
- 2.14 The Forecast also includes ancillary costs for devices, freight, the No Fault Compensation Scheme as well as the proposal for the Global Health Risk Facility insurance.
 - a) Levied at US\$ 0.10 per dose, the No Fault Compensation scheme makes compensation available to eligible individuals in 92 low- and middle-income countries without need to resort to law courts. It is the first and only vaccine injury compensation mechanism operating on an international scale.
 - b) The Global Health Risk Facility (“GHRF”) is expected to be established to cover the loss from damage or theft of COVID-19 vaccines in transit across the supply chain. Covered by a syndicate of insurers and reinsurers, the premium to cover this insurance is still subject to detailed scoping and negotiations.
- 2.15 Gavi has now raised US\$ 775 million to support delivery of COVID-19 vaccines, in addition to the US\$ 150 million of core resources approved by the Board in September 2020 for Cold Chain Equipment (“CCE”) and Technical Assistance (“TA”). In this context, the Alliance, in collaboration with other key funders, has designed an approach to supporting vaccine delivery with two key components:
 - a) An integrated funding for countries (US\$ 650 million) to support their immediate needs for COVID-19 vaccine delivery and to help strengthen their health systems and routine immunisation for longer term scale-up and contribution to Gavi 5.0 objectives. The Secretariat is already making available a limited amount of bridge funding to countries who have acute financing gaps which are preventing doses being used (based on the December 2020 Board decision approving provision of exceptional delivery support to countries on a case by case basis). If approved, the full funding window will be launched immediately following Board approval.
 - i. The PPC recommended that the Board allow the Secretariat to allot up to 30% of the US\$ 650 million (US\$ 195 million) immediately following Board approval in June.

- ii. To date, COVAX has received US\$ 60 million from donors for vaccine delivery and the Secretariat retained an unallocated buffer of US\$ 20 million from the Board-approved US\$ 150 million for CCE and TA, which will be rolled into CDSS.
 - iii. The anticipated phasing of the receipt of remaining donor pledges is expected in advance of disbursement. In line with the COVAX risk management framework agreed with the AFC, COVAX will not enter into any financial commitments not supported by assured resources.
- b) An envelope for cross cutting delivery elements (US\$ 125 million) including support to deliver humanitarian buffer doses, mitigate key delivery risks, support regional and global technical assistance and global goods including for innovation.
- c) In addition to the mentioned Delivery costs, US\$ 10 million in Operating Costs will also be funded out of the US\$ 775 million in Delivery pledges to ensure the necessary support is in place to cover the increased scope of activities.

2.16 COVAX will incur procurement fees associated with its agreements with UNICEF and PAHO to procure COVID-19 vaccines for AMC economies. On an annual basis, the fees are US\$ 8.3 million combined based on forecast volumes.

Figure 4: COVAX AMC Forecast of Operating Expenditures (2021-2022)

All Values in \$US m	2021			2021	2021			2022		
	Budget Allocation			Adj Rolling Budget	Forecast			Forecast		
	AMC	SFP	Total	Apr '21 Total	AMC	SFP	Total	AMC	SFP	Total
Full Year Values										
Staff, Services, and other	10.2	13.2	23.4	26.8	10.9	15.9	26.8	10.9	11.5	22.4
Procurement and Exchange	6.8	14.2	21.0	18.2	8.3	9.9	18.2	8.3	6.9	15.2
Financing & Insurance	-	10.5	10.5	9.9	-	9.9	9.9	-	5.0	5.0
Total COVAX Facility	17.0	38.0	54.9	54.9	19.2	35.7	54.9	19.2	23.4	42.6

2.17 Based on the current outlook for 2022 and high volume of activity, the forecast anticipates at a minimum the same level of operating expenditure for COVAX AMC activities as in 2021.

2.18 In the first half of the year there have only been minor changes to the 2021 operating expenditure forecast. While anticipating for the significant ramp up in volumes in the second half of the year, it is likely that a higher number of adjustments will be required as the organisation responds to the increased activities.

3. Risks and Opportunities

- 3.1 Since February 2021 and through the recent June G7 summit, countries have continued to commit to donate doses to the Facility. Dose sharing is expected to continue, but it is uncertain how much more will be donated.
- 3.2 Donated doses create additional costs to be incurred in cash, such as syringes, safety boxes, freight, NFC payments, and insurance. Donating donors are encouraged to cover these additional costs. Discussion with donors at the AMC investors group will take place to finalize the framework.
- 3.3 IFFIm disbursements are currently forecast at 100% of their respective pledges. Normally, IFFIm disbursements are subject to a 70% gearing ratio on the total Facility pledges. The Facility is working to find a solution to mobilise 100% of IFFIm COVAX pledges, while not impacting the funding of Gavi 5.0.
- 3.4 There are many uncertainties affecting the supply of COVID-19 vaccines in 2021-2022, not least around manufacturing capacity, regulation, candidate attrition, final contract terms, and the readiness of countries themselves to begin or accelerate their national COVID-19 vaccination programmes. This uncertainty drives the need for frequent iterations of vaccine portfolio scenarios and therefore the forecast expenditure on COVID-19 vaccines.
- 3.5 With supply of vaccines planned to increase in the second half of the year the absorptive capacity of AMC countries to deliver the vaccines to populations will be put under pressure and further delivery support is likely to be required. An understanding of the quantum of further delivery support required will require an understanding of provision of funding from other institutions such as the MDBs and bilateral donors as well as a bottom up understanding of each country's needs.
- 3.6 The Global Health Risk Facility premium remains subject to detail scoping and negotiations.
- 3.7 While the forecast for operating expenditures is expected within budget in 2021, the ramp up of volumes and ongoing complexity of the COVAX Facility will require material shifts across departments (including Design and Operationalisation, Country engagement, and Deal-making and Vaccine portfolio management), as well as Legal in-house and external advisory, and Finance. In 2022, the AMC share of operating expenditure is expected to be larger than previously estimated at the December 2020 Board due to increased volumes and engagement among AMC economies. The operating expenditure to support Self-Financing Participants is subject to the Participation Strategy currently underway and the share of costs between AMC and Self -Financing Participants will be reviewed as part of the forecast later in the year.

Section C: Actions requested of the Board

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations from the Programme and Policy Committee as set out in Figure 3 of Doc 04b (COVAX AMC Financial Forecast) and concluded that these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy; and
- b) **Approve** the 2021-2022 COVAX AMC Financial Forecast as presented in Section B of Doc 04b, noting that this has been amended for the June 2021 Gavi Alliance Board meeting to reflect recent developments as discussed by the AFC at its 3 June 2021 meeting. The AFC requested that the revised forecast be discussed at the 21 June 2021 AFC meeting.