

SUBJECT: COVAX RESOURCE MOBILISATION UPDATE

Agenda item: 04b

Category: For Information

Section A: Summary

This paper presents the fundraising status of the Gavi COVAX Advance Market Commitment (COVAX AMC) since its inception and the outcomes that are being achieved with that funding and other instruments. It outlines plans for further support for the COVAX Facility strategy for 2022 pursuant to the WHO Global Vaccination Strategic Vision. It highlights the need for continued and immediate grant financing (donor funding) as a critical step to guarantee increased access to doses. It also illustrates the important complementary roles of dose sharing and leveraging countries' domestic resources, supported by multilateral development bank (MDB) funding, in providing timely access to doses, and presents some preliminary resource mobilisation scenarios.

Section B: Resource mobilisation update

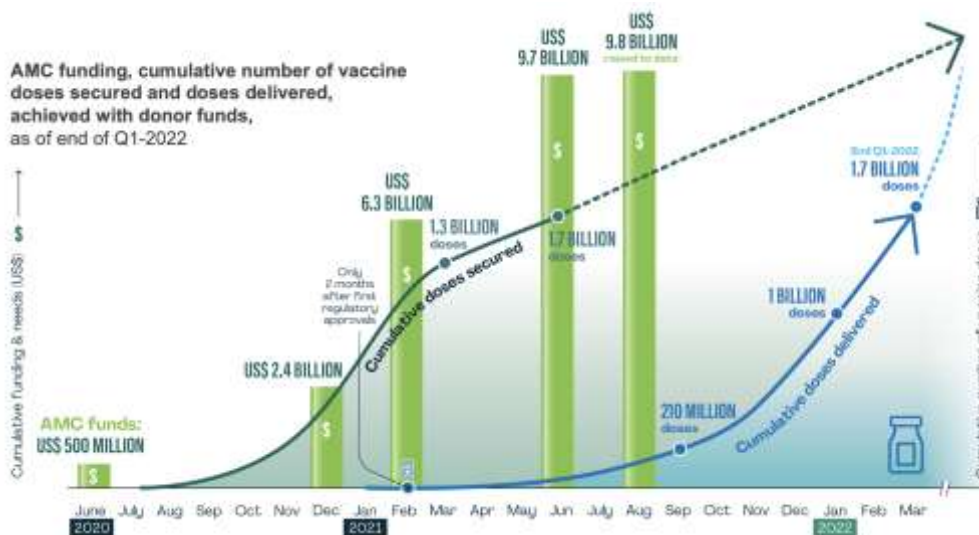
1. Fundraising update

- 1.1. To date, US\$ 9.8 billion has been pledged to the Gavi COVAX AMC (see Annex A). This financing enables the purchase of 1.7 billion COVID-19 vaccine doses benefiting 92 low and lower middle income economies (COVAX AMC92 countries). In addition, US\$ 800 million has been mobilised to support delivery in countries.
- 1.2. The fundraising approach for the COVAX AMC as an innovative financing mechanism has evolved flexibly over time to respond ambitiously to an ever-changing global environment, pandemic trajectory and vaccine landscape. The fundraising strategy has been built on leveraging three key sources of financing: sovereign and private donors, capital markets and country financing (including MDB funds). It has also critically relied on a range of innovative instruments and mechanisms to facilitate early financing and supply, including leveraging the International Finance Facility for Immunisation (IFFIm) and crafting new frontloading facilities.
- 1.3. In a first phase starting with a G20 call in April 2020 for an international collaboration to tackle the pandemic, the COVAX AMC was launched in June 2020 at the UK-hosted Global Vaccine Summit to frontload immediate financing to encourage vaccine development and reserve access to AMC countries. Initial funding of US\$ 500 million for lower income countries for the COVAX AMC was pledged by donors including by drawing upon

residual funds from the Pneumococcal AMC. This represented the first step towards the goal of protecting the most vulnerable 20% in the AMC92. By December 2020 pledges of US\$ 2.4 billion (including increased pledges to IFFIm drawing on its frontloading capacity) had been made, and Gavi had received US\$ 400 million in funds, allowing Advance Purchase Agreements (APAs) to be signed and upfront payments made to manufacturers to lock in 600 million doses.

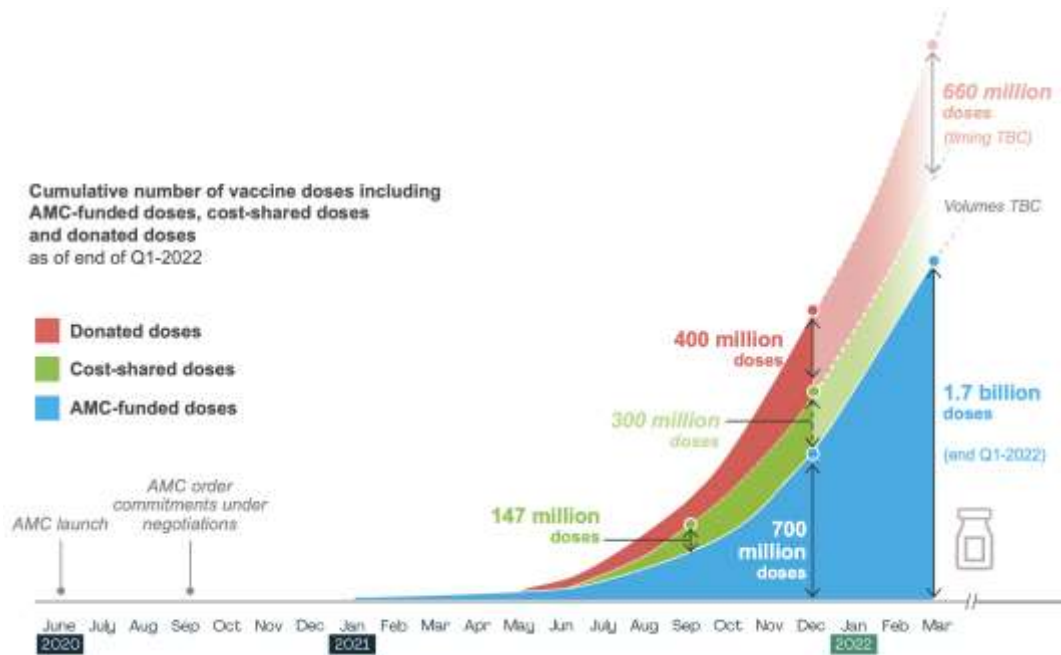
- 1.4. With the first vaccine receiving WHO Emergency Use Listing at the end of the year, these funds allowed delivery of the first doses in February 2021, 39 days only after first delivery in high income countries – a historical record for any new vaccine. By March 2021, additional pledges and payment to the COVAX AMC of US\$ 3 billion allowed new APAs to be signed and payments made for additional doses to reach a total of at least 1.3 billion doses secured.

Figure 1: COVAX AMC funding for vaccine procurement



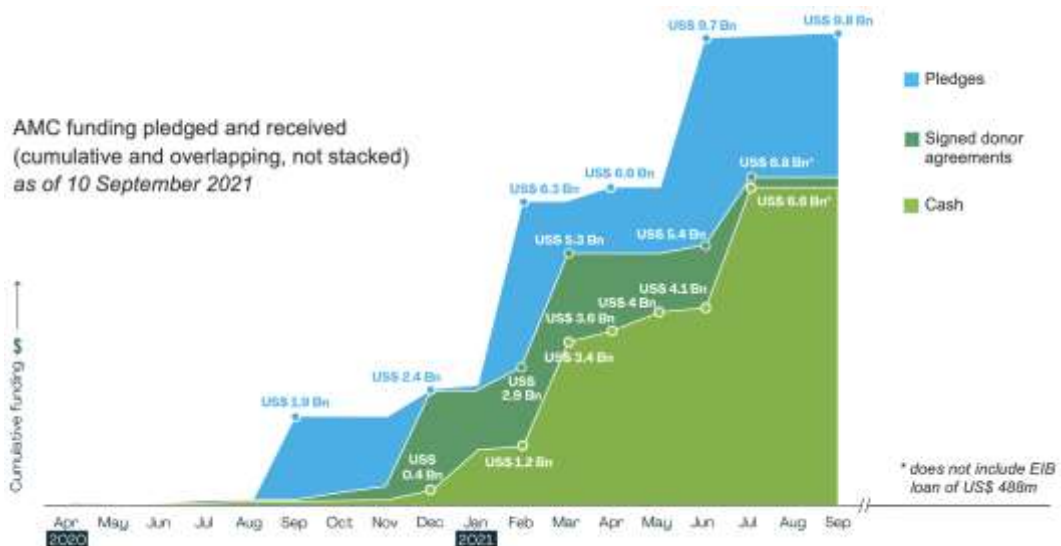
- 1.5. In a second phase, the evolving trajectory of the pandemic called for supporting increasing coverage in lower income countries, with a new 30% coverage goal for AMC91 countries. In April, the US-hosted launch of the AMC Investment Opportunity brought a new round of fundraising, which culminated with the success of the Gavi COVAX AMC Summit hosted by Japan on 2 June 2021. As a result of this and subsequent pledges, the COVAX AMC now has funding commitments of US\$ 9.8 billion for vaccine procurement. Of this, US\$ 6.6 billion has so far been received by Gavi.
- 1.6. These financial pledges have been complemented by increased dose sharing commitments of 660 million doses following a strong call to action at the G7 Summit in June 2021. Overall, the COVAX AMC has benefitted from funding from more than 40 governments and 47 private sector partners, which was complemented by additional doses sharing and cost sharing support to unlock doses and mitigate the risks to supply.

Figure 2: accelerating impact by pooling resources



1.7. The commitments to COVAX represent an unprecedented mobilisation of support. Given intense competition for doses and the daunting challenges of scaling up supply, moving forward, reducing the gap between pledges and receipt of funds will be vital to allow the COVAX Facility to lock in doses as fast as possible. Early receipt of funds is therefore vital to help countries control the pandemic.

Figure 3: cumulative COVAC AMC pledges, cash and signed donor agreements



2. Mobilising additional funding and supply

2.1. Several mechanisms and initiatives have helped mobilise additional sources of funding and supply:

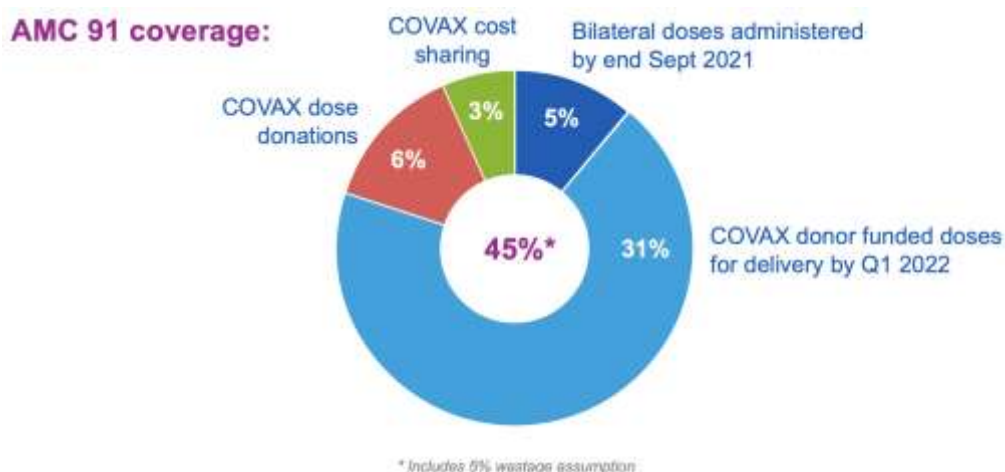
- a) Dose sharing principles were agreed with donors in December 2020. The operational framework was further elaborated during the first quarter of the year with technical assistance support from Canada, and in collaboration with the European Commission and key countries, notably France and Norway. Dose donations started in May 2021 and now 16 donors have committed a total of 660 million doses (see Annex B) out of which more than 110 million doses have been delivered to 86 countries and territories. Dose donations have proved to be a key supply mitigant during a period when other supply was constrained. The mechanism is building on key allocation, legal and Indemnity and Liability frameworks built by COVAX and its partners, offering a safe and equitable conduit for countries to donate doses. However, transaction costs of donations are not negligible for all parties, not least because the supply of donated doses is unpredictable. There is an imperative going forward, as dose donations increase, to improve the predictability of deliveries, to allow COVAX to allocate effectively, and provide doses with longer expiry to help countries and COVAX manage roll out in a timely and efficient manner. This is critical for dose sharing to be an effective complement to the foundational APA sourced doses.
- b) Following approval by the Board in June, cost sharing began in July 2021. So far 146 million doses have been purchased by countries through their own resources, including supported by MDBs, for delivery by December 2021. Gavi has also secured options on more than 150 million additional doses that it expects to be able to make available through the cost sharing mechanism before the end of the year. Through cost-sharing, AMC countries can purchase doses at the COVAX Facility's price from the Facility's diversified portfolio, as a complement to grant funded doses provided by donors. Countries use concessional funds from Multilateral Development Banks (MDBs) and domestic resources. Demand has been strong: in May 2021, Gavi received initial indications of demand from 54 countries for 530 million doses through cost sharing for delivery in 2021/early 2022. The most recent cost sharing offer was heavily oversubscribed. Gavi, together with the MDBs (the World Bank, the Asian Development Bank, and the European Investment Bank) and other financial partners, are continuing to develop potential models to further mitigate the residual risks of manufacturer supply failure. The Gavi COVAX AMC has already mobilised close to US\$ 1 billion through cost sharing in two rounds.
- c) The Gavi COVAX AMC benefits from a broad innovative financing partnership with the European Investment Bank (EIB). A front-loading facility allows the value of new donor pledges to be drawn down in advance of cash receipt. Gavi has recently reached agreement with the EIB to extend this facility to €440 million (US\$ 520 million). In addition, a €300 million cost sharing facility (US\$ 355 million) will allow countries to access additional further financing from the EIB to boost coverage by funding countries to purchase doses through the COVAX cost sharing mechanism. This facility is anticipated to come online in Q4 2021.

- d) Gavi’s engagement with the private sector aims firstly to raise additional funds and secondly, in line with country readiness and capacity, to support the delivery of COVID-19 vaccines. Engagement has expanded and 44 new partners have joined, along with public facing initiatives such as the Vaccine Forward Initiative and the Go Give One campaigns, and large events such as VAX LIVE by Global Citizen. In total these partners have already provided US\$ 234 million in funding for the AMC, against a target of US\$ 150 million in the AMC Investment Opportunity.
- e) Gavi is coordinating with IFFIm and the World Bank so that IFFIm grants in support of the COVAX AMC could be maximally frontloaded in 2021. A further bond issue later this year combined with proceeds already received from IFFIm is expected to provide approximately US\$ 1.2 billion of total proceeds for the AMC. IFFIm has proven a powerful innovative instrument for pandemic financing, providing 33% of the AMC’s funding in its first phase. In addition, IFFIm funded CEPI to support vaccine development.

3. Building the foundations for COVID-19 immunisation

- 3.1. Based upon the US\$ 9.8 billion in funding for vaccine procurement and the latest supply forecast, commitments to dose donations, cost sharing, and doses already secured by AMC91 countries through bilateral and regional deals, an estimated 45% coverage could be achieved by Q1 2022.¹

Figure 4: Forecasted immunisation coverage in AMC 91 by Q1 2022 by sources of funding and supply



- 3.2. In terms of vaccine procurement, the COVAX Facility has worked to manage emerging supply and demand risks, signing 6 new deals since April 2021. To date, US\$ 8.6 billion has been committed with COVAX AMC funds to procure a diversified portfolio of vaccines across 10 APAs. The Facility’s portfolio is now broadly balanced across key technology platforms (mRNA,

¹ The Indian government has announced that it intends to immunise all adults by the end of 2022.

viral vector, protein-based), with production in every major manufacturing centre in the world. The Facility is a major player in the vaccine market and will continue to actively manage and build its portfolio moving forward.

- 3.3. As a vital adjunct to the supply of vaccines, the AMC has also provided funding worth US\$ 105 million for a No Fault Compensation Scheme (NFC) to ensure that people have access to compensation in the event of severe adverse events following immunisation with the new COVID-19 vaccines. Combined with the standard indemnity and liability terms that the COVAX Facility has agreed with manufacturers, these represent a comprehensive package that addresses key barriers to vaccine supply during a pandemic.
- 3.4. In March 2020 the Board approved the establishment of a Humanitarian Buffer to act as a safety net for high risk populations in humanitarian settings that would not receive vaccines through other routes. The Buffer is funded by up to 5% of the COVAX AMC's funds, and is now operational with the first applications being received for independent review.
- 3.5. The AMC also finances operating costs attributed to support for AMC countries, including procurement costs (US\$ 8 million up to September 2021), costs linked to the Office of the Facility (US\$ 19 million up to September 2021). The AMC is also being used to fund the ancillary costs of dose donations (estimated at US\$ 200 million) through COVAX for AMC eligible countries to facilitate donations of 660 million doses.
- 3.6. Finally, as set out in Doc 04a, Gavi along with other partners is investing in delivery to support countries to expand their cold chains (including required Ultra Cold Chain) and to prepare for greater volumes. To date US\$ 800 million has been pledged to Gavi and paid fully towards this goal. Together these provide the infrastructure for countries to scale up their COVID-19 immunisation programmes.

4. Towards a 2022 strategy

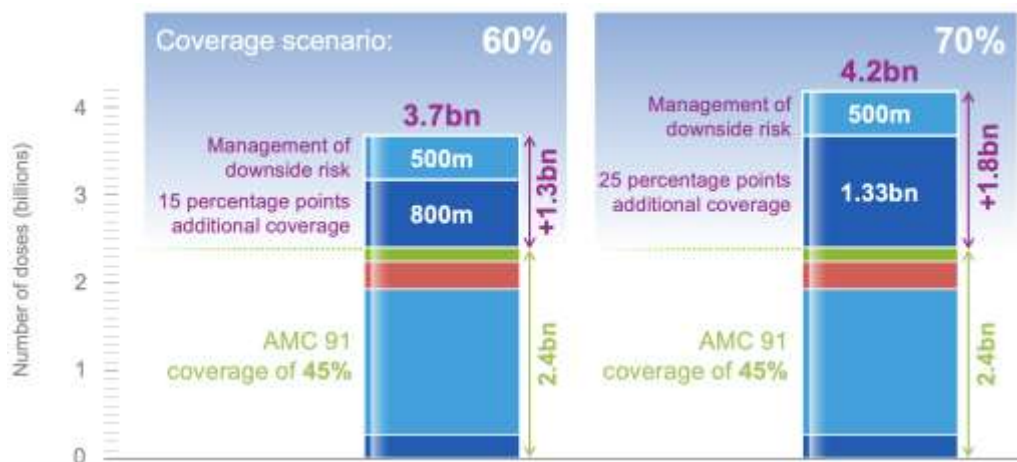
- 4.1. The continued evolution of the pandemic, with renewed waves of COVID-19 cases boosted by the Delta variant are significantly impacting growth prospects in low and middle income economies with further downward revisions estimated by the International Monetary Fund (IMF) in its latest outlook forecast. To beat the pandemic globally and assure recovery, accelerated and expanded vaccination in lower income countries is becoming essential. To guarantee expanded vaccination coverage, a prerequisite remains immediate and early access to cash financing.
- 4.2. Key lessons that have emerged from the COVAX AMC first two phases are: (a) access to cash and contingent financing well in advance is key to reserve doses; (b) access to grant funding represents a vital step towards recovery, particularly as the prolonged crisis seriously affect LMICs debt sustainability. This means that it is necessary to plan well in advance for the next phase of funding and supply. As part of this, downside risk from the emergence of new variants, and from the possibility that additional doses of vaccines will be needed to achieve immunity, needs to be managed early.

- 4.3. The WHO Global Vaccination Strategic Vision is likely to aim to cover 70% of the population with COVID-19 vaccines.² Building on the diversified portfolio developed and the innovative mechanisms and schemes now operational, the COVAX Facility aspires to support countries to achieve the coverage goals they set. As a first step one scenario would be to support AMC91 countries to immunise all adults.
- 4.4. If adults in lower income countries are immunised at levels achieved in wealthy countries, up to 3.5 million deaths could be prevented, and the economic cost of the pandemic reduced by half. As paediatric vaccines approved for under 12 or evidence of the safety and effectiveness of such vaccinations are currently not yet available, the COVAX Pillar and Facility will continue to monitor the epidemiology and emerging evidence.
- 4.5. Some preliminary, indicative scenarios are presented below, based upon a range of potential average vaccine prices and sources of funding. The illustrative scenarios are based upon the following key driving factors:
- a) The COVAX Facility has US\$ 3.8 billion of options in its current APAs for an additional 760 million doses, that need to be exercised from now until the end of 2021. Exercising these options should be the starting point for this additional coverage so that doses come as early as possible. Subject to funding, for 2022, a further 2 billion doses are available from legally binding agreements, and 800 million from non-binding agreements.
 - b) There remains significant downside risk from the emergence of new variants, and from the need for additional doses of vaccines to achieve immunity, particularly for the most vulnerable populations. The scenarios take account of this by proposing a 500 million dose contingency pool which could be used to provide additional doses for high risk populations, or to address new variants.
 - c) The proposed target volumes can be achieved through the diversified funding and supply mechanisms built by the COVAX AMC: direct funding to procure doses through the COVAX Facility, dose sharing, and cost sharing.
 - d) The COVAX Facility has so far delivered 10 million doses to India. Since India suspended exports of COVID-19 vaccines in March 2021, COVAX deliveries to India have ceased, and the Indian government has set a target of immunising all Indian adults by the end of 2022. Given these circumstances, the scenarios below therefore do not currently include additional deliveries to India in 2022.
 - e) COVAX Facility doses would be complemented by supply from other sources including regional mechanisms, notably AVATT which is currently contracting for 30% coverage of AU countries' population.

² See paragraph 1.7 of Doc 04a

4.6. Figure 5 illustrates the number of doses that would be required to reach 60% or 70% coverage of the whole population, including the contingency pool of 500 million doses to manage downside risk from new variants and from the risk that additional doses are required to increase or extend protection. Pursuing a coverage scenario of 60%, which would translate into vaccinating all adults in AMC91, would require 1.3 billion more doses. This would go up to 1.8 billion doses under a 70% coverage scenario.

Figure 5: additional doses required to reach 60% or 70% coverage and manage downside risk



4.7 As illustrated in Figure 6, these scenarios, based on the diverse portfolio built by the COVAX Facility and a price point reflecting a higher proportion of mRNA vaccines, are estimated to cost US\$ 6.8-12.8 billion on top of the existing COVAX AMC resources.

Figure 6: Illustrative resource mobilisation scenarios to reach 60% or 70% coverage in AMC91

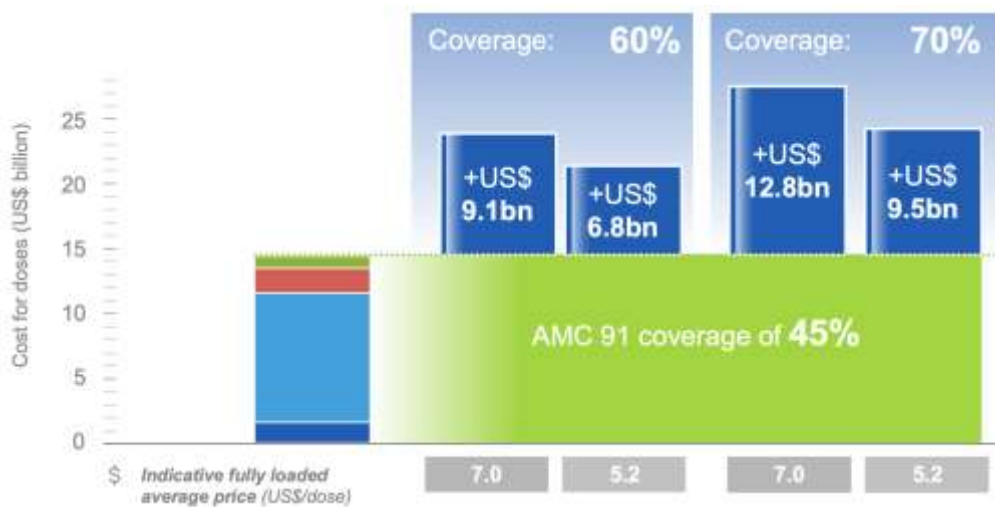


Figure 7: Scenarios for additional 1.3 billion doses in AMC 91



5. Sources of funding and supply

- 5.1. Further grant funding from Official Development Assistance (ODA), including to IFFIm which has proved its power as an instrument for tackling the pandemic, as well as a further step up from the private sector, could contribute up to 50% of the additional funding required to secure 1.3-1.8 billion doses including supporting ancillary costs of dose donations, and the operational costs of the Humanitarian buffer, the No Fault Compensation Scheme and other operating costs i.e. at least to US\$ 5 billion. The focus would be on the lowest income countries that are least able to access other sources of funding. As the outturn of other funding for delivery support becomes clearer, there may also be a need to consider further funding for the COVAX Facility to support delivery.
- 5.2. In addition, there is significant capacity in high income countries to donate more doses, even taking account of additional doses that may be needed to extend protection. Assuming predictability of donations can be increased, with donors committing their surpluses further in advance, and transaction costs reduced, at least an additional 400m doses could be contributed through dose donations.
- 5.3. The remainder of the doses could come from cost sharing. Gavi expects to make available through the cost sharing mechanism options for delivery in 2022 that could contribute a further 150 million-300 million increase in coverage. Although some of this supply remains subject to factors outside of Gavi's control (e.g. regulatory approval, manufacturing challenges), the aim is to offer as much of this supply as possible up for cost sharing during Q4 2021. In addition, the intention is to secure additional supply in 2022 that could be made available for cost sharing. Gavi is coordinating closely with MDB partners on new APA negotiations, option exercise under existing APAs (including disclosing APA terms in full), and designing shared risk mitigation instruments. In as far as COVID-19 vaccines become part of

routine immunisation schedules, the Board will also need to consider if and when Gavi's co-financing policy should be applied.

Approach to resource mobilisation

- 5.4. Gavi will focus its resource mobilisation efforts in the remainder of 2021 and 2022 in three principal areas, building upon the coalition of support that has already been established, including through the G7 and G20:
- a) Dose sharing: focus for the rest of 2021 and into early 2022 on dose sharing and on optimising the approach with donors to provide simplicity and longer term visibility for countries to plan for rollout as well as with participating manufacturers.
 - b) Cost sharing: pursue effort with MDBs and others for sources of efficient risk bearing capital to mitigate residual remote risks of supplier failure to deliver and countries' failure to receive, in addition to unlocking potentially significant volumes of domestic finance and accelerating coverage for countries that can and want to participate.
 - c) Capital raising: develop a solid third phase investment case for 2022, including on the 760 million doses to which COVAX has access for the AMC in Q4 2021, for delivery in 2022.

Risks and Risk Mitigation

- 5.5. The principal risks in the approach to 2022 are as follows:
- a) Risk of inaction: despite COVAX Facility and bilateral efforts to secure supply early, the world has seen highly uneven and unbalanced 'twin track' vaccine distribution thus far. The early target of ending the acute phase of the pandemic is not met due to unequal distribution of doses to LICs and LMICs (and many MICs). This is a risk to all, including for the space it gives for new variants, but particularly to the economic recovery of countries where coverage is lowest which are shut out of trade, tourism, and remittance markets. This will perpetuate a sub-optimal development picture and cost eligible countries and donors far more in the long run, and further weaken the multilateral system - as well as of course deepen the impact of deaths and hospitalisation on already challenged health systems.
 - b) Country demand risk: the demand picture for LICs and LMICs remains highly variable and opaque in respect of coverage, community demand, and vaccine preferences. This makes portfolio planning for volume forecasting and portfolio decision making - linked to resource mobilisation and anticipated cost - equally variable. An essential risk mitigant here is the COVAX Facility's diversified portfolio, but also more dynamic and flexible approaches are required by manufacturers to support efficient planning, and by countries and partners to build strong demand-side and delivery capacity using the COVID-19 delivery support (CDS) and domestic sources.

- c) Market supplier risk: several risk variables exist here for a resource mobilisation plan, not least expectations of greater transparency and reliability in supply schedules going forward to support country specific planning, lifting of (and timing of) all export restrictions but particularly in India, dependability of supply, and pricing. From a resource mobilisation perspective, scenarios assume ranges of eventual pricing and timing of delivery to provide a central set of probable financial outcomes.
- d) Economic and financial risk: thanks to successful domestic vaccine roll outs in higher income countries economic expansion and growth has accelerated rapidly over the past two quarters. In developing countries growth remains stalled due to the pandemic and the IMF has indicated that only high vaccine coverage can put the entire world back on track economically; and for the fruits of the huge scientific endeavour undertaken over the past 12 months in terms of safe and efficacious vaccines' availability to be shared equally to put the world back on track. While the massive strain on wealthier countries debt/GDP ratios is acknowledged, these are significantly worse now in most AMC eligible countries. A robust health, financial and economic case for further grant investment in 2022 needs to be made by COVAX and its partners, including eligible countries.

Annexes

Annex A: COVAX AMC pledges and donations

Annex B: Dose Donation to COVAX