

SUBJECT: FINANCIAL UPDATE, INCLUDING FORECAST

Agenda item: 06a

Category: For Decision

Section A: Executive Summary

Context

This report asks the Board to approve the updated projections of resources and expenditure for 2016-2020 and indicative financial projections for 2021-2025.

The Audit and Finance Committee (AFC) has reviewed the 2016-2020 and 2021-2025 forecast, including the financial implications of the decisions that the Board will consider at this meeting. The AFC concluded that these decisions could be approved by the Board, in accordance with the Programme Funding Policy.

- For **2016-2020**, the overall expenditure forecast has decreased by US\$ 0.1 billion (1%) whereas resources have remained consistent at the level that was presented in the forecast on the 19 July 2019 Board call.
- For **2021-2025**, the indicative financial projections for expenditures and resources remain materially aligned to figures presented in the 'Investment Opportunity' launched at TICAD, in Yokohama on 30 August 2019.

In addition to the forecast, this report also provides an update on the evolution of the estimates of resources and expenditure in 2019, an overview of expenditures that are subject to Board-approved programme funding limits and of in-country cash balances of Gavi support, and finally an update on foreign currency exposure.

Conclusion

The updated financial projections show that sufficient resources are available such that the programmes presented at this Board can be approved in accordance with the provisions of the Programme Funding Policy.

Section B: Facts and Data

1. Financial Forecast

- 1.1 The Gavi financial forecast is updated annually for approval by the Board, in order to enable the CEO to allot funding to programmes in the following year, in accordance with the Programme Funding Policy.
- 1.2 Figure 1 below summarises the forecasted resources and expenditures (including the proposed decisions to be considered at this meeting) for the current period (2016-2020) and subsequent one (2021-2025) and indicates

that sufficient resources are available such that all the decisions recommended for approval at this Board meeting could be approved.

Figure 1: Overview of potential decisions and their financial implications

US\$ million, cash-flow basis		2016-2020					2021-2025	
		Last Forecast Nov 2018 Board	Mid Year Forecast July 2019 Board	Change upon updating estimates	Impact of Dec 2019 decisions in 2016-2020	New Forecast Dec 2019 Board	Impact of Dec 2019 decisions in 2021-2025	Indicative Projection 2021-2025
	Assured Resources	9,376	9,294	(27)		9,267		2,027
	Allow. for Further Direct Contributions	397	253	(0)		253		7,451
A	Qualifying Resources	9,774 \$9.8 bn	9,547 \$9.5 bn	(27)		9,520 \$9.5 bn		9,478 \$9.5 bn
B	Forecast Expenditure	9,207 \$9.2 bn	9,213 \$9.2 bn	(164)	61	9,110 \$9.1 bn	19	9,444 \$9.4 bn
A-B	Available for future investments	566 \$0.6 bn	334 \$0.3 bn	137	(61)	410 \$0.4 bn		33 \$0.0 bn

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Decisions for consideration at Dec 2019 Board meeting add \$61m in 2019-2020, and up to \$19m in 2021-2025

Decisions for consideration by the Board - US\$ million	Decision amount	Already in Forecast	Addition to Forecast 2016-2020	Board Document	Addition to Forecast 2021-25	
					Decision amount	Already in Forecast
(a) Gavi's engagement in Ebola Vaccine - note 1	61	0	61	8	169	150
(b) Malaria Vaccine Pilots and Long-Term Supply - note 2			0	7	87	87
(c) PEF budget - 2020	253	253	0			
Secretariat budget - 2020	110	110	0	6b		
			61			
						19.0

Note 1: The 2016-2020 decision amount consists of ~US\$ 52.4m for the retention of the existing Ebola Envelope + US\$ 9m for vaccine procurement & PEF/Sec costs. The 2021-2025 decision amount consists of ~US\$133m for vaccine procurement, US\$ 32 million for operational costs support and US\$ 4m of Secretariat & PEF costs.

Note 2: The 2021-2025 decision amount consists of ~US\$ 11.6m for MVIP and up to US\$ 75m (which represents the higher end of the financial range for Gavi's engagement in long-term supply.)

2. Updated Forecast

Resources

- 2.1 **For 2016-2020**, the forecast of resources of US\$ 9.5 billion has remained consistent with the figures presented at the 19 July 2019 Board call.
- 2.2 **For 2021-2025**, the forecast of resources of US\$ 9.48 billion remains aligned to figures presented in the 'Investment Opportunity' launched at TICAD, in Yokohama on 30 August 2019. The forecasted resources for 2021-2025 are based on a formulaic calculation (in accordance with the Programme Funding Policy) that has been updated since the 19 July 2019 Board call to incorporate actual amounts received since July.
- 2.3 For 2021-2025, donors have been asked, and have up to the pledging conference in June 2020 in London, to pledge at least US\$ 7.4 billion. In advance of that, and in accordance with the Programme Funding Policy, an estimation of qualifying resources includes an allowance of US\$ 7.45 billion for further direct contributions not yet confirmed. This formulaic allowance represents the existing level of contribution and is calculated based on the annual average of confirmed pledges over the period 2017-2019.

Figure 2: Resources

US\$ million, cash-flow basis		2016-2020				
		Last Forecast Nov 2018 Board	Mid Year Forecast July 2019 Board	Change upon updating estimates	Impact of Dec 2019 decisions in 2016-2020	New Forecast Dec 2019 Board
US\$ million		US\$m	US\$m	US\$m	US\$m	US\$m
Resources Available						
Direct contributions - confirmed		6,893	7,183	22		7,205
Direct contributions for IPV		268	268	(4)		264
IFFIm Proceeds, excl CEPI		950	600	0		600
IFFIm Proceeds, CEPI		77	77	(12)		65
AMC Proceeds - note 1		530	530	0		530
Investment Income, etc.		266	266	34		300
Total Inflows		8,984	8,924	40		8,964
Available from Cash & Investments Reserve (beyond the minimum amount required)		392	370	(67)		303
Assured resources 2016-2020		9,376	9,294	(27)		9,267
Allowance for additional direct contributions, not yet pledged		397	253	(0)		253
Qualifying Resources		9,774	9,547	(27)		9,520
		\$9.8 bn	\$9.5 bn			\$9.5 bn

Note 1: AMC Proceeds includes US\$ 262.5m of uncommitted AMC funds, discussions with AMC Stakeholders are on-going and will continue into 2020.

US\$ million, cash-flow basis		2021-25				
		Last Forecast Nov 2018 Board	Mid Year Forecast July 2019 Board	Change upon updating estimates	Impact of Dec 2019 decisions in 2021-2025	New Forecast Dec 2019 Board
US\$ million		US\$m	US\$m	US\$m	US\$m	US\$m
Resources Available						
Direct contributions - confirmed		52	16	21		37
Direct contributions for IPV		0	0	0		0
IFFIm Proceeds, excl CEPI		1,010	1,475	0		1,475
IFFIm Proceeds, CEPI		0	0	0		0
AMC Proceeds		0	0	0		0
Investment Income, etc.		125	125	0		125
Total Inflows		1,187	1,616	21		1,637
Available from Cash & Investments Reserve (beyond the minimum amount required)		504	384	6		390
Assured resources 2016-2020		1,691	2,000	27	0	2,027
Allowance for additional direct contributions, not yet pledged		7,238	7,238	213		7,451
Qualifying Resources		8,929	9,238	240	0	9,478
		\$8.9 bn	\$9.2 bn	\$0.2 bn		\$9.5 bn

Expenditure

- 2.4 **For 2016-2020**, the latest forecast estimates expenditure at US\$ 9.1 billion, reflecting a net decrease of US\$ 0.1 billion (1%) compared to the 19 July 2019 Board call forecast. This decrease is driven by updated supply assumptions for a number of vaccines (particularly rotavirus and Human Papillomavirus Vaccine) and adjustments for vaccine stock levels in countries, partially offset by a potential increase in HSS¹ disbursements (up to US\$ 1.375 billion) and the inclusion of the proposed investment in Ebola vaccines.

¹ The Board approved that 'an amount of at least US\$ 1.3 billion is available for HSS disbursements (including performance payments) for grant programme years in the 2016-2020 strategic period, with additional funding being subject to future Board decisions' (June 2016, and re-affirmed in June 2018). There is the potential that in order to meet country demand, total HSS disbursements for this strategic period will exceed US\$ 1.3 billion. In this case once a more definitive picture is available the Secretariat would request approval at the June 2020 meeting for the increase, subject to PPC and AFC recommendation.

- 2.5 For 2021-2025, the latest forecast of US\$ 9.4 billion remains materially aligned with the figures presented in the 19 July 2019 Board call forecast and the “Investment Opportunity” presented at the replenishment launch meeting in Japan on 30 August 2019.

Figure 3: Expenditure

US\$ million, cash-flow basis	2016-2020				
	Last Forecast Nov 2018 Board	Mid Year Forecast July 2019 Board	Change upon updating estimates	Impact of Dec 2019 decisions in 2016-2020	New Forecast Dec 2019 Board
Vaccine programmes - excluding IPV	4,914	4,910	(203)	9	4,716
Vaccine programmes - IPV	496	495	50		545
HSIS programmes	1,946	1,961	64	52	2,077
CCEOP programmes	200	200	0		200
CEPI	77	77	(12)		65
YF diagnostics	6	6	1		7
Prov. for Strategic Investments					0
Institutionalising post-transition support & exploring MICs					0
PEF - Programmatic	956	946	(35)		911
Programmatic Expenditure	8,595	8,595	(135)	61	8,521
Operating Expenditure (Secretariat & PEF)	613	618	(29)	0	589
Total Expenditure	9,207	9,213	(164)	61	9,110
	\$9.2 bn	\$9.2 bn	(\$0.1 bn)		\$9.1 bn

US\$ million, cash-flow basis	2021-2025				
	Last Forecast Nov 2018 Board	Mid Year Forecast July 2019 Board	Change upon updating estimates	Impact of Dec 2019 decisions in 2021-2025	New Forecast Dec 2019 Board
Vaccine programmes - excluding IPV	4,382	4,442	(96)	83	4,429
Vaccine programmes - IPV	850	800	17		817
HSIS programmes	1,500	1,551	154	19	1,724
CCEOP programmes	200	200	0		200
YF diagnostics	5	5	0		5
Prov. for Strategic Investments	500	500	0	(87)	413
Institutionalising post-transition support & exploring MICs	0	281	0		281
PEF - Programmatic	973	913	0	4	917
Programmatic Expenditure	8,410	8,691	75	19	8,786
Operating Expenditure (Secretariat & PEF)	657	659	(0)		659
Total Expenditure	9,067	9,350	75	19	9,444
	\$9.1 bn	\$9.4 bn	\$0.1 bn		\$9.4 bn

3. Other Financial Matters

- 3.1 **Resources and Expenditures for 2019** – Cash inflows are predicted to reach US\$ 2 billion, out of which 69% was realised as of September 2019 (same level at the same time last year). Compared to the November 2018 forecast, cash inflow projections have increased by 7% following the consideration of US contribution. Disbursements for programmes are projected to reach US\$ 1.8 billion, an increase of 9.5% compared to the November 2018 forecast.
- 3.2 **Programme Funding Allotments:** By 20 September 2019, 96% of the financial forecast for 2016-2020 and 10% for 2021-2025 had been committed towards on-going programmes, in accordance with the Programme Funding Policy.
- 3.3 **Foreign Currency exposure:** As at 20 September 2019, Gavi had hedged approximately 75% of its currency exposure for 2020 of the non-US dollar

direct contributions pledged and 80% of Gavi's secretariat CHF expenses for 2020.

- 3.4 **Overview of cash balances held in countries** - From US\$ 358 million as at 31 December 2018 the balance has reduced to US\$ 296 million (-17%) at June 2019.

Section C: Actions requested of the Board

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

- a) **Note** that the Audit and Finance Committee has reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee as set out in Figures 1 to 5 of Doc 02a to the Audit and Finance Committee of 10 October 2019 (Financial Update) and concluded that these recommendations could be approved by the Board in accordance with the Programme Funding Policy;
- b) **Approve** the Financial Forecast for the period 2016-2020 as set out in Section B of Doc 06a;
- c) **Approve** the Financial Forecast for the period 2021-2025 as set out in Section B of Doc 06a, which is dependent on resources becoming available for that period; and
- d) **Authorise** the Gavi Secretariat to allot funding in 2020 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy. In making such allotment decisions, the Secretariat will take into consideration the outcome of Gavi's replenishment in June 2020.

Annexes

Annex A: Implications / Anticipated impact

Annex B: Terminology used in the Financial Forecast

Additional information available on BoardEffect

Appendix 1: Updated Financial Forecast – details, including evolution

Appendix 2: Other Financial Matters

- Update on resources and expenditures in 2019
- Report back on utilisation of Programme Funding budgets
- An overview of cash balances held in country – details