
Subject **Financial Update, including forecast**

Agenda item **07**

Category **For Decision**

Section A: Executive Summary

Context

This paper presents the updated Financial Forecasts for Gavi 5.1 (2021-2025) and COVAX Advance Market Commitment (AMC) (2020-2023 and 2024-2025 for the COVID-19 immunisation programme) to the Board for approval based on recommendation from the Audit and Finance Committee (AFC).

The **Gavi 5.1** forecast confirms US\$ 103 million available for future investments. The Secretariat continues to actively monitor risks and opportunities not yet crystallised (including programmatic choices at the discretion of the Alliance), noting that as we near the end of the strategic period, with resources approaching full utilisation, there is limited financial flexibility and any significant additional commitments would need to come with new funding or a reprioritisation of programmatic expenditure. The forecast reflects an increase of US\$ 157 million in resources and an increase in programmatic expenditures of US\$ 21 million - before decisions submitted for approval.

- **Changes to forecast:** the increase in Qualifying Resources of US \$157 million is driven by actual investment income returns and favourable impact of foreign exchange rates. Forecast Expenditure is increasing by US\$ 21 million, driven primarily by acceleration of programmatic activity supporting Gavi 5.1 must wins (US\$ 171 million) largely offset by more efficient use of vaccine working capital (US\$ 150 million) with the Alliance procurement partner, UNICEF Supply Division (UNICEF SD).
- **Items for decision:** the Board is asked to approve US\$ 136 million funding for the launch of the Multivalent Meningococcal Conjugate vaccine (MMCV) programme (noting this represents US\$ 34 million incremental funding as US\$ 102 million of the US\$ 136 million presented for decision was included in the prior forecast). The impact on **Gavi 6.0** is forecast between US\$ 326 to US\$ 577 million noting that all Gavi 6.0 requests are contingent on financial resources being made available. The Board is also asked to exceptionally approve the extension of post-transition support for Timor-Leste, resulting in US\$ 4 million of undisbursed funds being included in the updated forecast.

The **COVAX Facility** closes at the end of 2023 however the COVID-19 programme (Vaccine and Covid-19 Delivery Support (CDS)) will continue until the end of the Gavi 5.1 forecast period via the Board approved COVID-19 immunisation programme (2024-2025). The 2024-25 COVID-19 programme expectation (US\$ 813 million) remains aligned with the prior Board-approved forecast.

- **Changes to forecast:** Qualifying Resources have increased by net US\$ 46 million. For 2023 forecast expenditure, following the WHO's 5 May 2023 announcement that COVID-19 has shifted to an established and ongoing health issue and an update from WHO SAGE (Strategic Advisory Group of Experts on Immunization) guidance on COVID-19 vaccine use, countries have lowered their 2023 plans reducing the expected demand by 130 million doses (from 240 million doses originally planned), representing a US\$ 440 million decrease in expenditure. The Pandemic Vaccine Pool ("PVP") increases from US\$ 1.9 billion to US\$ 2.1 billion and US\$ 207 million of interest income is recognised with its utilisation under consideration by COVAX AMC donors for key projects.
- **Items for decision:** the Board is asked to approve up to US\$ 1 billion for the African Vaccine Manufacturing Accelerator ("AVMA") and up to US\$ 522 million in Pandemic Prevention, Preparedness, and Response ("PPPR") investment proposals, contingent on available funding from the US\$ 2.1 billion PVP. The PPC also recommended that the Board approve flexibility for the Secretariat to fully fund doses for the 'Big Catch Up' of up to US\$ 290 million (currently reported as a risk as contingent on funding being made available from the PVP).

Gavi 6.0 (2026-2030) projections are presented to comply with the Programme Funding Policy (PFP) enabling the Alliance to allot funding to existing programmes under the Multi-Year Approval framework. While these projections do not prejudice future donor contributions or the outcome of the current Gavi 6.0 strategy design process, the AFC highlighted the high-level of commitments based on current approvals.

Questions this paper addresses

- Is there sufficient funding available to deliver Board-approved priorities, including new programmatic decisions being considered by the Board, for Gavi 5.1 and COVAX AMC, with adequate financial flexibility remaining to respond to the uncertain operating context?
- What are the risks (including potential decision choices) and opportunities not included in the financial forecast?

Conclusions

The AFC reviewed the Financial Forecasts and concluded that sufficient funding is available for the additional investment priorities presented in this Board meeting, noting that given the increasing trend of expenditures with Gavi 5.1 resources close to full utilisation, any significant additional commitments would require additional funding or programme expenditure reprioritised, and recommends that the Board approves the following:

- **Gavi 5.1** (2021-2025): Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.3 billion.
- **COVAX AMC and COVID-19 Programme** (2020-2025): Qualifying Resources of US\$ 12.5 billion, Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 9.6 billion base expenditure, US\$ 2.1 billion pandemic vaccine pool,

US\$ 0.6 billion dose sharing ancillary, and US\$ 0.2 billion interest income, after funding the COVID-19 programme).

- Gavi 6.0 (illustrative projection)** (2026-2030): prepared to comply with the Programme Funding Policy, with Qualifying Resources of US\$ 8.7 billion and Forecast Expenditure of US\$ 7.2 billion noting that the funding of Gavi 6.0 programmes is contingent on future funding being secured, and that the projection does not prejudge future donor contributions or future investment decisions. In addition, as the Board engages in the Gavi 6.0 strategy design process, the AFC highlight the high level of commitments based on current approvals, which illustrates the importance of strategic trade-offs and prioritisation in the Gavi 6.0 design.

Section B: Financial Update

1. Gavi 5.1 Financial Forecast

Figure 1: Gavi 5.1 Financial Forecast Overview

Overview of Resources to meet expenditure - Gavi 5.1 (in US\$m)	Prior Forecast (v20.1) June 2023 Board	Change upon updating estimates	Decisions for consideration in Dec 2023	New Forecast (v21.0) Dec 2023 Board
Assured Resources (projected)	9,684	157	-	9,840
Allowance for Further Direct Contributions	535	-		535
Qualifying Resources	10,219	157	-	10,375
	\$10.2 bn			\$10.4 bn
Programmatic Expenditure	9,365	21	140	9,526
Operating Expenditure	746	-	-	746
Total Expenditure	10,110	21	140	10,272
	\$10.1 bn			\$10.3 bn
Available for future investments	109	135	(140)	103
	\$0.1 bn			\$0.1 bn

Decisions for consideration by the Board (US\$m)	Decision amount
MMCV (vaccine, op costs, PEF)	136
Post-transition support	4

Further details on resources and expenditure and change drivers since the last forecast update are available on BoardEffect via the materials of the Oct 17th AFC meeting, agenda item 5a Financial Forecast for Gavi 5.1 and 6.0 (ink COVAX)

- 1.1 **Qualifying Resources** are US\$ 157 million higher at US\$ 10.4 billion reflecting actual investment income and favourable foreign exchange movements. There are no material changes in underlying donor commitments.
- Direct contributions** have increased by US\$ 42 million driven primarily by favourable changes in foreign currency rates.
 - IFFIm proceeds** remain unchanged at US\$ 2.2 billion for the Gavi 5.1 period.

- c) **Forecast Investment Income** is US\$ 115 million higher than the prior forecast driven by returns from the long-term investment portfolio (US\$ 97 million) and higher interest rates (US\$ 18 million) on the short-term portfolio.
- 1.2 **Forecast Expenditure** is US\$ 161 million higher at US\$ 10.3 billion, of which US\$ 21 million is programmatic expenditure changes and US \$140 million financial implications of new programmatic decisions.
- a) **Programmatic expenditure** (before new decisions) **+US\$ 21 million**.
- Revised launch assumptions** drive higher expenditure of US\$ 241 million across vaccine dose procurement (US\$ 160 million) and campaign operational costs/vaccine introduction grants (US\$ 81 million) including the acceleration of launch/campaign timings into 2024/25 (from Gavi 6.0) to support Gavi 5.1 must-wins including India HPV and Nigeria MR introduction and campaign. This is offset by **working capital efficiencies** of US\$ 150 million from changes to the timing of vaccine disbursements agreed with UNICEF SD, combined with a US\$ 102 million reduction from the removal of the prior **MMCV** forecast (replaced with a revised proposal for decision set out below). In addition, the **Partners' Engagement Framework (PEF)** forecast has been revised in line with partner discussions to include additional funding of US\$ 32 million supporting the VIS18 and Hexavalent vaccine programmes, as well as other must-win objectives.
- b) **Items for decision +US\$ 140 million**: At its October 2023 meeting, the PPC recommended the approval of a revised proposal for the **multivalent meningococcal conjugate** vaccine (MMCV) programme, following appropriate product qualification and recent SAGE guidance. The Gavi 5.1 financial impact of the proposal for decision is US\$ 136 million, representing a net forecast change of US\$ 34 million (as US\$ 102 million was included in the prior forecast). This proposal includes US\$ 112 million vaccine procurement costs, US\$ 20 million in cash grants (operational costs and switch grants), and US\$ 4 million in PEF. The range-impact of MMCV to the Gavi 6.0 forecast is US\$ 326 million to US\$ 577 million across vaccine procurement and cash support. The PPC also recommended that Timor-Leste be exceptionally granted an extension of its Post-Transition Support from December 2023 to December 2025, to compensate for pandemic related delays. Given that post-transition support is no longer included in the annual budget (from 2021), the remaining approved grant amount to be disbursed (US\$ 4 million) is included in the updated financial forecast.
- c) **Operating Expenditure (Opex)** remains unchanged however annual phasing of Secretariat Expenditure has been revised. US\$ 5 million of 2023 planned expenditure is now anticipated to incur in 2024 and US\$ 3 million of Opex will be rephased from 2025 to 2024 for upfront investment in Operational Excellence and a net efficiency saving of US\$ 3 million is reflected in 2025. The Secretariat intends that the Operational Excellence programme (forecast to achieve payback in the first quarter of 2026) will be funded from the existing budget.

2. COVAX AMC Financial Forecast (including COVID-19 routine immunisation)

Figure 2: COVAX AMC and COVID-19 programme

US\$ million, cash-flow basis	2020-2025		
	Prior Forecast v20.1 Jun 2023 Board	Change upon updating estimates	New COVAX Forecast v21 Dec 2023 Board
Doses (Volume)	2,010	(130)	1,880
Qualifying Resources	12,481	46	12,527
	\$12.5 bn		\$12.5 bn
Vaccine Expenditure	7,788	(440)	7,348
COVID-19 Programme	813		813
CDS Expenditure	1,443	15	1,458
Forecast Expenditure	10,044	(425)	9,619
	\$10.0 bn		\$9.6 bn
Dose Sharing Ancillary	561	6	567
Pandemic Vaccine Pool	1,876	258	2,134
Interest Income	-	207	207
Total	2,437	471	2,908
	\$2.4 bn		\$2.9 bn

Decisions for consideration by the Board (US\$m)	Decision amount
Fund AVMA	1,000
Fund PPPR	522

2.1 **Qualifying Resources** have increased by net US\$ 46 million compared with the prior forecast approved by the Board in June 2023.

- US\$ 207 million of interest income (2021 to August 2023) are included as Qualifying Resources. Forecasted interest (September 2023 to 2025) is not included in the forecast but instead presented as an opportunity due to the uncertainty of future forecast resources and expenditures as supported by the AMC Investors Group.
- US\$ 147 million of new donations including from Self-Financing Participants were received since the prior forecast.
- US\$ 308 million is related to outstanding pledges that have not yet been received, with Qualifying Resources adjusted accordingly.

2.2 **Forecast Expenditure** is US\$ 9.6 billion, of which US\$ 8.8 billion is for COVAX 2020-2023 and US\$ 0.8 billion is for the 2024-25 COVID-19 Programme.

- COVAX vaccines expenditure** through 2023 is lower than the previous forecast by US\$ 440 million driven by lower procurement levels, following revised SAGE guidance deprioritising healthy children and adolescents as well as countries responding with lower demand to the WHO Public Health Emergency of International Concern ('PHEIC') update. Demand for COVID-19 vaccines through COVAX in 2023 is expected to be

approximately 110 million doses, whereas the prior forecast was 240 million doses (procured and dose shared doses).

- b) **Pandemic Vaccine Pool:** After the above expenditure, the COVAX AMC and COVID-19 Programme will hold US\$ 2.1 billion in the Pandemic Vaccine Pool (PVP).
- c) In addition to the PVP, the COVAX AMC and COVID-19 Programme continues to hold US\$ 0.6 billion for **Dose Sharing ancillary costs**, as part of the response plan if the outlook worsens and US\$ 0.2 billion of **interest income** where utilisation is under consideration by COVAX AMC donors for key projects.
- d) **The value of Dose Sharing** doses is excluded from the Financial Forecast (presented on a cashflow basis). At the time of preparing the forecast, 1 billion doses are expected to be available to COVAX with an accounting value of approximately US\$ 6.5 billion over the 2021-2025 period.

2.3 **Investment options** relating to two key targeted areas are proposed to be funded from the US\$ 2.1 billion remaining in the PVP (subject to COVAX AMC donor approval to repurpose PVP funds), specifically, PPPR (US\$ 522 million) and AVMA (US\$ 1 billion). **PPPR** consists of the Coalition of Vaccine Partners plan (US\$ 22 million) and the Day Zero Financing Facility for Pandemics (up to US\$ 500 million) and the structure of the facility will be reviewed by the AFC on 4 December (a verbal update will be provided at the Board meeting). **AVMA** aims to support a sustainable, regionally diversified supplier base with minimised undesired market distortion alongside improved pandemic response capacity, supply resilience and security sovereignty. These programmatic decisions have been recommended by the PPC for consideration by the Board and are contingent on funding being made available.

2.4 In addition, the PPC recommended to allocate up to US\$ 290 million to the Big Catch Up, pending COVAX AMC donor funding being made available. The Big Catch Up aims to reinforce existing Gavi immunisation programmes to redress coverage declines seen since the COVID-19 pandemic and is noted as a risk to the 5.1 forecast until funding is made available.

3. **Gavi 6.0 Illustrative financial forecast**

The high-level Gavi 6.0 illustrative 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 approved programmes under Multi-Year Approvals. **While the illustrative financial forecast presented is not intended to prejudge donor contributions or future investment decisions**, as the Board engages in the Gavi 6.0 strategy design process, it is advised that the high level of commitments based on

current approvals illustrates the importance of strategic trade-offs and prioritisation in the Gavi 6.0 design.

Figure 3: Gavi 6.0 Illustrative financial forecast

Expenditure Estimate 2026-2030 (INDICATIVE)	Gavi 6.0 2026-2030		
	Prior Forecast (v20.1) Jun 2023 Board	Change upon updating estimates	New Forecast (v21.0) Dec 2023 Board
US\$ million, cash-flow basis			
Assured Resources (projected)	592	(15)	577
Allowance for further Direct Contributions, not yet pledged (formula-driven, based on existing levels)	8,165	(29)	8,136
Qualifying Resources	8,758	(45)	8,713
	\$8.8 bn		\$8.7 bn
Forecast Expenditure (continuation and extension of Approved & Endorsed Programmes)	6,285	872	7,157
	\$6.3 bn		\$7.2 bn
Potential Available for Further Investments	2,473	(917)	1,556
	\$2.5 bn	(\$0.9 bn)	\$1.6 bn
Included in Forecast Expenditure (as above), for Board Approval	v20.1		v21.0
	6,285		7,157
Vaccines	3,024		3,621
Cash-based programmes	1,372		1,646
PEF	1,142		1,142
OpEx	748		748
Additional expenditure, not included in Forecast (illustrative only)	4,618 - 5,239		4,860 - 5,660

*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 and extension of Approved and Endorsed country programmes only and excludes future decisions requiring IRC review and approval or decision on future Strategy and Strategic Investments.

3.1 **Qualifying Resources** have been estimated at US\$ 8.7 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. **Projected Forecast Expenditure** of US\$ 7.2 billion is presented based on the continuation of Approved and Endorsed programmes (at country level) with the Core Health System Strengthening (HSS) envelope, Partner Engagement Framework (PEF) and Operating Expenditure held flat to the approved 5.1 envelopes (before the impact of any HSS rephasing). The increase in projected forecast expenditure from the prior forecast is driven by additional country programme approvals by the Independent Review Committee (IRC), in particular relating to malaria (US\$ 903 million).

3.2 In addition to Forecast Expenditure as set out above, additional visibility is provided on the potential Gavi 6.0 costs (US\$ 4.9 billion - US\$ 5.7 billion) not yet included in Forecast Expenditure, comprised of Board Approved Programmes (based on the current Eligibility and Transition Policy and

estimated launch dates) where Gavi has not yet made an ongoing commitment to a country ("Balance of Demand" of US\$ 4.3 billion) and potential new programmes requiring Board approval (range of US\$ 0.6 billion to US\$ 1.4 billion). The potential costs associated with VIS 2024 (not yet approved by the Board) will be included in a future cycle when the programme and financial details are presented to the Board for decision.

- 3.3 The Board is requested to approve the financial forecast for Gavi 6.0 to enable the Alliance to continue to efficiently approve programmes under the Multi-Year Approval framework - noting that any commitments made relating to the next strategic period are contingent and may be rescoped based on the approval of the Gavi 6.0 strategy in June 2024 and future funding being secured.

4. Risks and Opportunities

- 4.1 Gavi is operating in a highly uncertain context with the world facing a series of global challenges. 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.

- 4.2 While the Secretariat has assessed that the financial forecasts presented represents the most likely point forecast (based on available resources), there are a range of outcomes in some key areas. The risks identified in Gavi 5.1 are principally controllable and relate to choices and trade-offs available to the Alliance, however COVAX risks are determined primarily by external factors. Key specific risks and opportunities include:

Gavi Core 5.1

- a) a risk of up to US\$ 350 million of increased vaccine expenditure, should a higher level of launches and campaigns be achieved than the 112 launches for 2023-2025 currently assumed in the forecast, and/or if demand for established routine programmes is materially above recent historical average levels; conversely slower launches and additional working capital efficiencies could result in up to US\$ 100 million lower vaccine expenditure.
- b) a risk of increased expenditure for the malaria programme, with the potential launch of the new R21 vaccine, following the SAGE recommendation for use in moderate to high transmission settings in late September - the Alliance is currently considering the programmatic impact from implementing this guidance, assessing anticipated country demand and supply and will continue to update the relevant Governance bodies (PPC, Board) of the status and outcome of these discussions.
- c) to secure firm order commitments, including for malaria and cholera, the Secretariat may request Board approval to use available facilities including the European Investment Bank (EIB) letter of credit against IFFIm's balance sheet. The EIB letter of credit has a total capacity of US\$ 320 million, which allows for the allocation of future IFFIm disbursements to specific firm order

commitments. Should the upper range of estimates materialise, this could exceed the credit available, requiring alternative solutions.

- d) a risk of up to US\$ 38 million of increased expenditure for cholera (across vaccines and operational cost), related to the materialisation of higher supply volumes for 2024 compared with forecast assumptions.
- e) a risk of up to US\$ 290 million of increased expenditure in support of 'Big Catch Up' initiatives to address coverage gaps following the COVID-19 pandemic, including additional co-financing flexibility. The PPC have recommended to the Board to approve flexibility to provide fully funded catch-up doses for children missed during the pandemic for an initial amount of US\$ 290 million contingent on funding being made available from the COVAX AMC PVP. While a number of donors in the COVAX AMC Investors Group have indicated a willingness to repurpose funds to support the Big Catch-Up, this remains a risk to the forecast until the additional funding is approved and made available, enabling the programmatic decisions which will crystallise the risk.
- f) a risk of up to US\$ 200 million that country cash programme expenditure, in particular Health System Strengthening (HSS), Equity Accelerator Funding (EAF) and Middle Income Countries (MICs), exceeds latest expectations, in which case the forecast may be revised upwards in future cycles if cash absorption exceeds projections; conversely cash absorption capacity could lead to an opportunity of up to US\$ 200 million if this resulted in later disbursements than forecast, and
- g) financial risks and opportunities related to market uncertainties that could lead to fluctuations in foreign exchange rates and returns on both short and long-term investment portfolios.

COVAX AMC / COVID-19 programme

- h) a risk of increased COVID-19 vaccine expenditure; Gavi remains ready to respond in the event of an increase or resurgence in COVID-19, with a pandemic vaccine pool available to procure new vaccines and a dose sharing ancillary pool to fund devices and shipment to countries for doses shared by donors.
- i) an opportunity of US\$ 0 to US\$ 429 million (Sept 2023 to 2025) for additional interest income from higher rates of return (depending upon the timing of programme disbursements)
- j) an opportunity of US\$ 308 million reflecting the full realisation of COVAX AMC outstanding pledges not yet paid, and
- k) an opportunity of US\$ 0 million to US\$ 50 million lower expenditure in 2023, arising from lower demand for vaccines compared to the current assumed level.

- 4.3 The Secretariat has assessed that the financial forecast presented is robust and risk and opportunities (including programmatic choices at the discretion of the Alliance) set out above are not sufficiently certain to reflect in the financial forecast.

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 to be made to the Programme and Policy Committee and concluded that the recommendations relating to the current strategic period could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy, and subject to AMC Donors approval for re-purposing of PVP funds, however the recommendations relating to the next strategic period (Gavi 6.0) are contingent on additional funding being made available.
- b) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.3 billion.
- c) **Approve** the updated Financial Forecast for the COVAX AMC (2020-2023) and the COVID-19 programme (2024-2025) of Qualifying Resources of US\$ 12.5 billion and Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 9.6 billion base expenditure, US\$ 2.1 billion pandemic vaccine pool, US\$ 0.6 billion dose sharing ancillary, and US\$ 0.2 billion interest income, after funding the COVID-19 programme).
- d) **Approve** the illustrative Financial Forecast for the Gavi 6.0 (2026–2030) Strategic Period of Qualifying Resources of US\$ 8.7 billion and Forecast Expenditure of US\$ 7.2 billion noting that only **existing Approved and Endorsed programmes have been forecast** and the projections have 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**.
- e) **Note** that given the increasing trend of expenditures, coupled with the fact that we are nearing the end of the cycle with resources close to full utilisation, the Gavi Alliance Board is advised that there is now limited financial flexibility and any significant additional commitments would need to come with new funding or programme expenditure reprioritised, and/or be considered in the Gavi 6.0 strategy design process. As the Board engages in the Gavi 6.0 strategy design process, it is also advised that while the Gavi 6.0 forecast is an illustrative forecast, it shows a high level of commitments based on current approvals, which illustrates the importance of strategic trade-offs and prioritisation in the Gavi 6.0 design.

Additional information available on BoardEffect

Appendix 1: (in October 2023 AFC Meeting Book): Doc 05a: Financial Forecast

Appendix 2: Financial forecast impacts and risks