

Annex A: Implications/Anticipated impact

- **Risk implication and mitigation, including information on the risks of inaction**

Risks associated with the Facility are set out in the paper and in Section 3 of the Risk & Assurance Report (see Doc 06).

- **Impact on countries**

The failure of the Facility to provide up to 2 billion doses of COVID-19 vaccines by the end of 2021 will impact equitable access to COVID-19 vaccines, in particular for lower-income economies.

- **Impact on Alliance**

The full Alliance is invested in the success of the COVAX Facility and the COVAX AMC, with Gavi also seeking secondments to ensure that it is fully leveraging the expertise from across the Alliance partners and stakeholders.

- **Legal and governance implications**

Gavi, as the legal entity of the Facility is entering into the commitments with participants and manufacturers and ultimately bears any exposure whether financial, programmatic or reputational.

The key legal risk has been identified as the SFPs not entering into supply agreements, while Gavi will have to comply with its commitment to pay for the firm order commitments to manufacturers. In that context, it is worth noting that, once Gavi exercises its option under its advance purchase agreement (APA) with the relevant manufacturer (on the basis of the exercise of options by the SFPs under the optional model), Gavi's options in the APA effectively become firm order commitments before the SFPs have entered into their supply contracts with the relevant manufacturer or procurement agent. This window represents a potential liability for Gavi.

While a number of SFPs under the committed model have procured a guarantee, in many instances, the guarantee has been issued by the relevant SFP's Ministry of Finance or Ministry of Health, which represents the same sovereign risk as that of the original non-payment. By contrast, the SFPs under the optional model do not have a guarantee to cover for the failure to enter into a supply agreement after they have exercised their option to procure the vaccines.

Gavi is working with Citigroup to address this risk through such mitigants as requiring SFPs to put money in escrow (which would require an amendment to their existing commitment agreement with Gavi) or to obtain a standby letter of credit (which the relevant SFP would have to pay for), or requiring Gavi to procure a breach of contract guarantee from the Multilateral Investment Guarantee Agency (MIGA) for certain countries within MIGA's scope of coverage, as well as a liquidity facility on top (given that claiming under MIGA's guarantee requires taking the defaulting country through an arbitration process and obtaining a favourable arbitral award).