

Subject **Day Zero Financing Facility – First Response Fund**

Agenda item **11a**

Category **For Decision**

Executive Summary

Following the decision by the Gavi Board in December 2023 to approve the establishment of a First Response Fund (the Fund) of up to US\$ 500 million under Gavi's Day Zero Financing Facility for Pandemics (DZF), the Secretariat has been developing further financial and programmatic details in order that the Fund can be operational in the second half of 2024.

Following the Audit and Finance Committee's (AFC) review of the Treasury arrangements and disbursement process, the Programme and Policy Committee's (PPC) review of the programmatic parameters and the Governance Committee's upcoming review of the governance arrangements, this paper provides supplementary information requested by the Board covering: i) the establishment of a treasury management policy and function; ii) the governance arrangements including examples of the triggers under which the fund may be drawn in a public health emergency and for what purposes; and iii) further information on how the First Response Fund is aligned with, and complementary to, other Pandemic Prevention, Preparedness and Response (PPPR) surge financing initiatives.

Action Requested of the Board

The Gavi Alliance Programme and Policy Committee **recommends** to the Gavi Alliance Board that it:

- a) **Approve** the specifications of the programmatic design of the First Response Fund of the Day Zero Financing Facility for Pandemics, including the Fund's programmatic parameters and eligibility criteria, as set out in Annex A to Doc 11a.

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

- a) **Approve** the Gavi Secretariat as interim treasury manager of the Day Zero Financing Facility – First Response Fund until 31 December 2024;
- b) **Note** that the delegation of authority for release of funds will follow the existing Board-approved Delegation of Authority (DOA) Policy;
- c) **Note** that the Secretariat will recommend a long-term treasury management arrangement for the Fund and a proposal on the use of interest income to the AFC in the second half of 2024.

Next steps/timeline

Subject to approval by the Board in June 2024, the Fund will be operational as of the second half of 2024. The Secretariat will also come back in the second part of the year to the AFC with a proposal for long-term arrangements for the treasury functions and use of interest.

Previous Board Committee or Board deliberations related to this topic

In May 2024 PPC meeting book: Doc 11 *Day Zero Financing Facility (DZF) – First Response Fund* - described the proposed programmatic parameters of the Fund, including its eligibility criteria and triggers.

In May 2024 AFC meeting book: Doc 08 *Day Zero Financing Facility (DZF) – First Response Fund* – described the proposed interim treasury arrangements.

In December 2023 Board meeting book: Doc 10a *Pandemic Prevention Preparedness and Response Approach* - provided an investment proposal for the First Response Fund.

Report

1. Strategic Rationale

- 1.1 **In the wake of the COVID-19 pandemic, the global health community has called for the establishment of contingent surge financing mechanisms.** The G7, the G20 and other fora have acknowledged the need for early surge finance mechanisms, highlighting 2024 as the opportune moment for decisive action. This is underscored by evidence showing that delayed financing significantly impeded equitable vaccine access during the COVID-19 pandemic. According to an independent study conducted by the International Monetary Fund, “60-75 percent of the delay in vaccine deliveries to low- and middle-income countries is attributable to their signing purchase agreements later than high-income countries, which placed them further behind in the delivery line”.¹ In the case of COVAX, it took several months to mobilise cash resources, with only US\$ 400 million of US\$ 2.4 billion pledged in 2020 paid in by the end of that year. Encouragingly, a recent simulation carried out by the G20 Joint Health Financing Task Force has highlighted that the ability to access sufficient contingent funds in under 30 days in another COVID-19 type pandemic could reduce deaths by up to 74% and economic costs by 95%².
 - 1.2 **As a direct answer to this call and building on lessons learnt from COVAX³, the Secretariat has developed a Day Zero Financing Facility that was approved by the Board in December 2023.** The DZF is a suite of financing instruments that aims to bridge the gap in surge financing for a rapid vaccine response that would achieve more equitable outcomes for supported countries in future pandemics. It includes innovative financing instruments that aim to provide up to US\$ 2.5 billion in surge financing capacity by 2030.
 - 1.3 **The First Response Fund is a critical component of the Day Zero Financing Facility, pre-positioning up to US\$ 500 million of at-risk surge financing.** This will be available for use within the first 50 days of an emergency for vaccine procurement and other urgent uses in core Gavi-eligible countries. As the fastest instrument in the Day Zero Financing Facility, bridging immediate funding needs until further resources can be unlocked, it will play an important role in a future vaccine response.
- ### **2. Where the First Response Fund fits within the PPPR landscape**
- 2.1 **The global annual financing need for PPPR is estimated at US\$ 31.1 billion⁴ per year. The global health landscape is already populated with different actors, both public and private, that provide**

¹ Agarwal, Ruchir; and Reed, Tristan. “Finance Vaccine Equity: Funding for day-zero of the next pandemic.” IMF Working Papers (2022)

² G20 JFHTF Virtual Event: Simulation Exercise, WHO, April 2024

³ A key learning and formal recommendation from the independent Phase 1 COVAX Evaluation commissioned by Gavi focused on “greater access to at-risk funding at the start of future outbreaks” to secure earlier purchase agreements at greater scale.

⁴ Analysis of Pandemic Preparedness and Response (PPR) architecture, financing needs, gaps and mechanisms, World Bank and WHO, March 2022

international financing for PPPR, of which a subset can be seen in Figure 1 of Appendix 1. These institutions are already playing an important role and some of them offer a range of financing mechanisms/modalities that support PPPR investments and health systems strengthening more broadly. Despite an ecosystem with many actors, there are still large PPPR gaps and identified financing needs related to specific functions. A recent Boston Consulting Group analysis to inform Pandemic Fund discussions found that despite diverse actors in PPPR financing, and an estimated funding need of US\$ 3-4 billion for rapid response, 40% to 50% of this financing need was currently unfilled.

- 2.2 **The First Response Fund would differ from other PPPR mechanisms as a pre-positioned pooled fund focused on speed of response and tolerance for risk.** It would address a portion of the surge financing gap that relates to vaccine response and is unique in having up to US\$ 500 million of at-risk capital readily available within days of an emergency.

2.2.1 **Pre-positioned:** the Fund would be fully funded from launch, saving the valuable weeks and months in an emergency that it would otherwise take to mobilise new donor pledges, sign grant agreements and collect cash;

2.2.2 **Speed of response:** the expectation is that the Fund would be able to make an initial disbursement within 5 days for amounts below US\$ 50 million.

2.2.3 **Tolerance for risk:** a key feature of the Fund would be the ‘at-risk’ nature of the financing. This differs from many PPPR financing instruments, for example, in allowing the Secretariat to enter into Advance Purchase Commitments for vaccines that have not yet received full regulatory approvals.

- 2.3 **The Secretariat has included multiple monitoring and review processes over the lifetime of the Fund to ensure it remains on track to deliver on its objectives and can adapt to the ever-evolving PPPR landscape.** The Secretariat will continue its active coordination with other PPPR initiatives, participating in major discussions (such as G7, G20, the Pandemic Intergovernmental Negotiating Body, the Pandemic Fund and the interim Medical Countermeasures Network – illustrated in Figure 2 of Appendix 1) to most effectively integrate the Fund into the broader PPPR framework.

3. Programmatic Parameters

- 3.1 **The programmatic parameters in Annex A have been developed in consultation with Alliance partners, other partners, and donors and were recommended for Board approval by the Programme and Policy Committee at its meeting on 15-16 May 2024.**

- 3.2 **The First Response Fund will primarily be used to (1) facilitate rapid vaccine access, including procuring doses via initial Advance Purchase**

Commitments for target priority populations and healthcare workers.

The Fund will additionally be used to (2) accelerate the delivery of vaccines, including procurement and distribution of additional cold chain equipment, community protection measures, and support surge needs and pandemic response plan implementation at country level; and (3) provide targeted support to maintain routine immunisation and protect healthcare workers (such as the purchase of personal protective equipment). Core Gavi-eligible countries will be the priority focus of the Fund, noting that the geographic scope could be expanded, if exceptionally agreed by the Gavi Board and in consultations with donors.

- 3.3 Emergencies will need to meet the following objective criteria to be eligible for funding:

3.3.1 **A WHO declared Public Health Emergency of International Concern (PHEIC) or grade 2 or 3 emergency** - a minimum of 80% of the funds will be reserved for WHO-designated PHEICs to ensure that sufficient funds are preserved to respond to pandemics/the highest public health risks of the future. Up to 20% of the Fund would be eligible for spending on public health emergencies graded by WHO as Level 2 or 3, noting that Level 2 grading is inclusive of multi-country events and outbreaks that have already spread beyond national borders⁵.

3.3.2 **A disease / pathogen for which the Secretariat does not have an existing vaccine programme or outbreak response mechanism in place.**

- 3.4 These criteria together will work to ensure that the majority of funds are reserved for future pandemics or “Disease X” of the future, whilst also helping to mitigate the risk of smaller outbreaks or epidemics escalating into pandemics.

- 3.5 **Emergencies that meet these criteria would also need to satisfy a further technical assessment.** This assessment will be conducted in collaboration with Alliance partners, drawing on monitoring, processes and frameworks already established. It will use a sub-set of the Gavi Vaccine Investment Strategy Living Assessment Evaluation Criteria, in alignment with Alliance partner assessment criteria. These criteria include: i) disease risk, burden, and epidemiological evolution, ii) impact on health and immunisation systems, iii) vaccines and alternative medical countermeasures, iv) fit with the Gavi Alliance, and v) financial implications.

- 3.6 An analysis of the last five years of WHO graded public health emergencies suggests that 5 infectious disease emergencies could have been eligible for a

⁵ As part of the learning and review process over the Fund’s lifespan, a proposal could be brought forth to the PPC and Board to reassess the 80/20 allocation of the Fund.

drawdown from the Fund per these criteria, with COVID-19 being the clearest case.⁶

4. Governance Arrangements

- 4.1 **In line with the proposal to the Board in December 2023, the Fund would be aligned with existing Gavi governance arrangements.** As a financing instrument, overall financial oversight would be the responsibility of the AFC, with programmatic oversight from the PPC. This ensures alignment with Gavi's existing governance procedures. These arrangements are laid out in Annex B.
- 4.2 **The AFC has reviewed and recommended the financial arrangements for the Fund, noting that the proposed disbursement process is in line with the Board-approved Delegation of Authority Policy.** Decisions on disbursements under US\$ 50 million would rest with the Secretariat following consultation with partners. An internal steering committee chaired by the CEO will approve any Fund drawdowns with the AFC being notified in line with the Board-approved Delegation of Authority Policy. This would allow funds to be released within 5 days in urgent response situations. Disbursement above US\$ 50 million would require a further financial review by the AFC with recommendation to the Board for approval. While in this case the disbursement is anticipated to take longer, the Secretariat would seek to simultaneously prepare any approved disbursement of funds in order to minimise delays.
- 4.3 **The PPC has reviewed and recommended the programmatic parameters of the Fund, including certain uses of funds.** This means that disbursement in line with these parameters can proceed without the need to convene the PPC in an emergency. In addition, should the uses of funding differ from those pre-approved in Annex A (e.g. extending the set of eligible countries), the Secretariat would return to the PPC for a further review and recommendation to the Board for approval.
- 4.4 **This process seeks to balance speed and oversight.** As per standard Gavi governance, other Board committees will be consulted as required but would not have a direct role in authorising disbursements.

5. Treasury arrangements

- 5.1 **In order that the Fund can be operational soon after Board approval, the AFC has reviewed and recommended an interim in-house treasury solution to run until the end of 2024.** This in-house solution will adhere to the established Treasury and Risk Management principles currently in effect for the COVAX Pandemic Vaccine Pool funds. This includes segregating funds into a new account, investing in short term asset classes, and following the Security, Liquidity, Yield investment principles. Meanwhile, the Secretariat is assessing long-term treasury management alternatives. Consultations with

⁶ The four other infectious diseases emergencies in this analysis were Dengue, Ebola Sudan, Mpox and Marburg.

potential external treasury managers have commenced as part of this process. While an external solution may be able to offer advantages over a purely internal solution, more time is required for a comprehensive review to be performed.

- 5.2 **The treasury policy for the First Response Fund will optimise across three objectives: i) capital preservation, ii) liquidity, and iii) capital appreciation.** Liquidity will be prioritised, with the whole of the fund accessible in under 50 days and with up to 10-20% of the total of the Fund accessible within 5 business days.
- 5.3 **A final proposal for both long-term treasury management and use of interest will be brought to the AFC in the second half of 2024 for recommendation to the Board in December 2024.** Throughout the lifetime of the Fund, it is anticipated that a substantial amount of interest or capital will accumulate, dependent on the final investment management option chosen. Two options have been identified for the use of those proceeds: (i) repurposing the funds into Gavi core; or (ii) maintaining them within the First Response Fund. A recommendation between these options will be shared later in 2024.

Annexes

Annex A: First Response Fund – Programmatic Parameters for Decision

Annex B: Arrangements for the Governance of the First Response Fund

Additional information available on BoardEffect

Appendix 1: Overview of the PPPR landscape