

BREAK COVID NOW

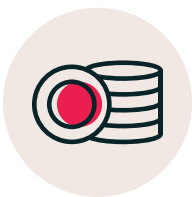
How Gavi's innovative financial instruments
can be used to fund the Gavi COVAX AMC
2022 Investment Opportunity



Gavi has a long history of developing innovative financial instruments to channel resources into saving lives and protecting people's health by increasing equitable and sustainable use of vaccines. Our public private partnership model – and the deep links built with governments, partner health organisations, vaccine manufacturers, public and private sector financiers, and civil society organisations – give us a unique platform to do this.

This combination of experience and partnerships means Gavi can react quickly to new challenges and design innovative solutions to overcome them. This has been taken to the next level during the COVID-19 pandemic by offering a suite of financial instruments that have played a key role in leveraging donor funding to boost resources for the Gavi COVAX AMC and putting those resources to use faster.

Ahead of the Gavi COVAX AMC Summit on 8 April, Gavi has continued to innovate. These are challenging times for donors and for AMC-eligible economies. Resources are tight, and there are competing priorities. So, Gavi has continued to grow the range of financial instruments available to minimise in-year costs for our partners and to overcome the challenges we need to address at the summit.



'Frontloading' facilities are designed to provide the AMC with earlier access to cash once donors have made pledges - which may otherwise take months or years to arrive.

Firstly, time is of the essence when responding to COVID-19. The AMC needs funding now to get more vaccines into arms as soon as possible.

That means new pledges from our generous donors. But as Gavi has learned, even once pledges are made, turning commitments into cash that can be used takes time. Donor budget cycles and processes can mean that weeks, months or even years can pass between pledges being made and the funds arriving. So Gavi has developed a set of frontloading instruments that are designed to get money from pledges into the AMC much earlier:

- **The International Finance Facility for Immunisation (IFFIm)** will allow donors to make upfront pledges but pay through annual installments that can be scheduled over years or even decades. Once legally binding agreements are signed, IFFIm will turn these multi-year pledges into immediate cash for the AMC by issuing vaccine bonds on international capital markets. Some donors also benefit from the Eurostat's budgetary ruling that allows them to record each year's commitment as government expenditure in the year it is paid. So far in this pandemic, over US\$ 1.23 billion in new pledges have been committed to IFFIm for the AMC. **Using this facility, donors will be able to make new pledges to IFFIm but spread payments over many years in the future. There are no constraints on the size or duration of funding that IFFIm can frontload.**
- **The EIB Frontloading Facility**, backed by the European Commission, will allow donors to make pledges and spread repayments out until 2025. The EIB provides a zero-interest loan to Gavi, which enables the AMC to have access to cash once donors have signed donor agreements. Created within six months of COVAX becoming operational, the EIB facility has proved popular with European donors – although it is not exclusive to them – including those who have not been able to contribute through IFFIm. Over EUR 1.7 billion in donor grant agreements have been assigned to the facility. **Using this facility, donors will be able to transfer payment to Gavi anytime from three months to three years following signing of a new grant agreement. It currently offers up to EUR 440 million (US \$520 million) in frontloading capacity at any one time. Gavi is in active discussions with the EIB to add more frontloading capacity and bring in even more liquidity.**

- **A new COVAX Frontloading Partnership.** Gavi is close to finalising a new frontloading facility with a major development finance institution, designed to complement the existing IFFIm and EIB facilities. The new partnership will provide the AMC with even more liquidity, as it will be the first facility that grants Gavi access to cash from the moment a donor pledge is publicly announced rather – than when the underlying grant agreements are finalised. **Using this facility, donors will be able to transfer payment to Gavi anytime from three months to four years following announcement of a new pledge. The facility can be used to frontload US\$ 1 billion in total of donor pledges in increments of US\$ 350 million at any one time.**

The key features of our three front-loading facilities are set out below:



	European Investment Bank	IFFIm	To be confirmed
What allows mechanism to frontload cash?	Signed grant agreements	Irrevocable, legally binding grant agreements	Public Pledge announcements
Over what timescale can pledges be paid in?	Short/medium-term (up to 2025)	Medium/long-term (typically 5-20 years+)	Short/medium-term (up to 4 years)
How much cash can be frontloaded?	US \$520m (€ 440m) at any one time	No constraints	US \$350m at any one time
Which donors are eligible?	Sovereign + private sector	Sovereign	Sovereign + private sector



‘Cost Sharing’ is designed so AMC-eligible economies can buy additional vaccines from COVAX using their own money or concessional finance from MDBs.

Secondly, our aim is to provide options for AMC-eligible economies to secure additional doses through the Pandemic Vaccine Pool – should they wish do to so – whilst allowing them to benefit from the excellent terms secured for vaccines in the COVAX portfolio.

The AMC was designed to give eligible economies equitable access to donor-funded COVID-19 vaccines. Throughout the pandemic, Gavi has operated in partnership with those AMC-eligible economies that have sought to procure additional vaccine doses through other sources – either bilaterally, or through regional organisations like AVATT. As part of that process, Gavi wanted to ensure any AMC-eligible economies that wanted more vaccines from COVAX than could be provided with donor funding had a way to do so.

- **The COVAX Cost-Sharing Mechanism.** To do this, Gavi developed a new mechanism during 2021 to allow countries to tap into grant and concessional finance available from MDBs. Countries can choose – on a voluntary basis – to purchase additional vaccines and boost coverage towards their national vaccination targets on the same terms and at the same prices as COVAX. Several innovative financing instruments were designed to allow cost-sharing to be implemented without adding risk to Gavi’s balance sheet. These included new financing partnerships with the Asian Development Bank, World Bank and European Investment Bank, as well as a series of financial guarantees with partners – including a new arrangement to be announced ahead of the Summit. **AMC-eligible economies will, on a voluntary basis, continue to be able to access the Cost-Sharing Mechanism during 2022 and use domestic finance or MDB resources to secure additional vaccines from the COVAX portfolio.**



‘Contingent’ facilities are designed so donors can make conditional pledges to the AMC which are only drawn down and turned into cash if a pre-defined trigger event occurs.

Thirdly, the world needs to be prepared for the next twists and turns in the pandemic, and so the Gavi COVAX AMC Summit will see the launch of a new Pandemic Vaccine Pool designed to provide immediate resources for the AMC, if, and only if, it is needed.

At the current moment the forecast supply of COVID-19 vaccines seems in line with demands from the national vaccination targets of AMC-eligible economies. However, the pandemic has taught us that this could change at any time. With a new variant emerging on average every four months, this is not a time to be complacent.

So Gavi has adapted our Pandemic Vaccine Pool to be funded through both cash contributions and new contingent facilities – where donors will be able to make pre-agreed pledges that are only drawn down in the event a pre-defined trigger event occurs – such as the emergence of a new variant that reduces existing immunity levels and increases severe illness and death; or where emerging evidence requires AMC-eligible economies to source annual booster doses for populations at risk. Two such facilities will be available:

- **A new contingent capability of IFFIm.** Gavi and IFFIm are working to expand IFFIm’s capacity so donors will be able to make new pledges to IFFIm that will be ‘on standby’ until pre-defined trigger events occur. Leveraging IFFIm’s inherent benefits, such as access to capital markets and attractive Eurostat accounting treatment, this mechanism is feasible within the existing IFFIm framework. Once triggered, it will allow swift access to capital which will be critical in resourcing the Pandemic Vaccine Pool to spearhead an emergency response. **Donors will be able to make new contingent pledges to the AMC without creating immediate impact on their fiscal or official**

development assistance (ODA) positions. As with a standard IFFIm pledge, the new mechanism will enable donors to spread their financial support over time with predictable and pre-agreed payment schedules.

- **A new contingent EIB facility.** In addition, Gavi and the EIB are working together to design a new financing facility which will provide donors with an additional option for multi-year contingent pledges which will only be activated on the basis of a pre-agreed trigger event. Negotiations are underway to provide Gavi and its donors with the ability to rapidly disburse funds at the time of need yet repaid in line with donor budgetary space over the following years. **Through this EIB facility, donors will have a second option to make new contingent pledges to the AMC whilst managing current cash flow constraints.**

Taken together, this suite of instruments demonstrates Gavi's continued commitment to work with our partners to innovate and channel scarce donor and domestic funding as efficiently as possible. We will provide more details on the new mechanisms under development in the run-up to the Gavi COVAX AMC Summit.

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