

SUBJECT: FINANCIAL UPDATE, INCLUDING FORECAST

Agenda item: 02a

Category: For Decision

Section A: Executive Summary

At its July meeting, the Gavi Alliance Board reviewed the latest forecasts reflecting the successful outcome of the Global Vaccine Summit and Gavi's immediate three pillared response to the COVID-19 pandemic: (a) providing immediate support to help countries respond to the pandemic; (b) maintaining, restoring and strengthening immunisation services; and (c) responding to the fiscal impact on immunisation services.

For its 5.0 strategy (2021-2025), the Alliance has made **equity** the organising principle in order to ensure zero-dose children and missed communities are reached with a full course of vaccines. As detailed in Paper 5b, zero-dose children in Gavi-supported countries have far worse health outcomes - they account for nearly 50% of deaths from vaccine preventable diseases (VPDs) despite being only 13% of the population¹. With COVID-19 exacerbating inequities, the Alliance hopes to accelerate early progress from Gavi 4.0 in reaching zero-dose children and missed communities, build a foundation for equitable primary healthcare (PHC), and prevent avoidable child deaths and disease outbreaks that entail reactive investments. This is a critical step towards achieving the vision of the Sustainable Development Goals to Leave No One Behind and achieve universal health coverage.

In September 2020, the forecasts indicated a net available for future investments of US\$ 1,662 million for the strategic period 2021-2025. Based on the latest estimates, the net available resources have been re-assessed at US\$ 1,167 million, following the consideration of September Board decisions on COVID-19 delivery cost, updated projections of programmatic expenditures and re allocation of some pledges to the COVAX facility in line with donor's indications. The forecasts process has been significantly impacted by the uncertainty and the complexity created by COVID-19. Programmatic expenditures are likely to vary as the situation evolves and more accurate data is collected. At US\$ 1,167 million, the projected net available resources for 2021-2025 are sufficient to fund the investments presented to the Board for approval at this meeting (US\$ 743 million as detailed below), leaving an envelope of US\$ 424 million available for future Board decisions.

The successful replenishment has meant the Alliance has more resources to invest in its goal to leave no one behind with immunisation. As a result, the forecast has

¹ Gavi internal analysis based on immunisation coverage and burden of disease estimates from WHO, IHME and other sources.

been updated to further reflect these programmatic priorities. An initial set of investments totalling US\$ 743 million was presented to the Audit and Finance committee (AFC) at its September meeting and further reviewed by the Programme Policy Committee (PPC), including:

- Additional Health Systems Strengthening (HSS) support of US\$ 500 million and technical assistance (TA), foundational support (FS) and strategic focus areas (SFA) through the Partners' Engagement Framework (PEF) of US\$ 128 million to accelerate progress on the zero-dose agenda, ensuring no one is left behind with immunisation.
- Additional US\$ 90 million in Secretariat resources, reflecting the additional capacity and staff positions required to engage with fragile countries, work at sub national levels, reach zero dose children and provide effective stewardship of larger resources and increased business complexity.
- Bridge funding for 2021 of US\$ 25 million to cover fiduciary risk mitigation and financial management.
- Acknowledging that other areas of Gavi engagement will need to advance at a slower pace than initially planned, including a slower introduction of vaccines generating US\$ 115 million savings and a paced trajectory for the engagement with middle income countries (MICs).
- Additional priorities such as Gavi's strategic partnership with India, innovation and VPD surveillance are being further reviewed, both in terms of approach and level of resources required and will be brought back to the Gavi Alliance Board for decision at a later stage.

The Gavi Alliance Board is requested to approve the Financial Forecast for the period 2016-2020 and 2021-2025, including the financial implications of the decisions that the Board will consider at this meeting. The Board is also requested to authorise the Gavi Secretariat to allot funding in 2021 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy.

Section B: Financial update, including forecast

1. Overview

- 1.1 For 2016-2020: the **net available for future investments is US\$ 345 million**². This is US\$ 65 million lower than the amount reflected in the forecast presented to the Board in December 2019. Assuming donors

² Compared to the figures presented in the Oct AFC paper, the variance in the net available for future investments is as follows:

- 2016-2020: increase from US\$ 316 million to US\$ 345 million to reflect the decision on preventing backsliding - US\$ 20 million - rolled over from 2020 to 2021 and 2022
- 2021-2025: decrease of the net available resources from US\$ 435 million to US\$ 424 million as a result of the gradual implementation of the Middle-Income Countries support (MICs) over the next strategic period, initially forecasted to be equally disbursed
- In both strategic periods, the cash & investments reserve amount, representing 9 months of the next year expenditures has been adjusted accordingly.

honour their agreements and no additional future investments, this amount has been carried forward to the next strategic period.

- 1.2 For 2021-2025: The qualifying resources amount to US\$ 10.4 billion and the total expenses are US\$ 10.0 billion, bringing the **net available for future investments to US\$ 424 million²**, US\$ 391 million higher than the amount reflected in last year's forecast.
- 1.3 The figure 1 below summarises the forecasted resources and expenditures for the current and subsequent strategic periods (2016-2020 and 2021-2025) and indicate 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		
		New Forecast (v18.0) Dec 2020 Board	Prior Forecast (v17.0) Dec 2019 Board	Change upon updating estimates	Impact of Dec 2020 decisions in 2021-2025
Assured Resources (projected)		9,536	2,027	8,415	10,442
Allow. for Further Direct Contributions		0	7,451	(7,451)	0
A Qualifying Resources		9,536	9,478	965	10,442
		\$9.5 bn	\$9.5 bn		\$10.4 bn
B Forecast Expenditure		9,192	9,444	(169)	10,018
		\$9.2 bn	\$9.4 bn		\$10.0 bn
C=A-B Available for future investments		345	33	1,134	424
		\$0.3 bn	\$0.0 bn		\$0.4 bn
Net Available for Future Investments					424

Decisions for consideration by the Board US\$ million		Already in Forecast	Decision Amount	Incremental to Forecast 2021-2025
(a)	HSS	1700	500	0
(b)	Targeted Country Assistance	500	80	0
(c)	Strategic Focus Areas + Foundational Support	364	48	0
(d)	Secretariat	648	90	0
(e)	Fiduciary risk assurance costs & Financial Management (2021)	25	25	0
(f)	Fiduciary risk assurance costs & Financial Management (2022-2025)			tbd
(g)	India			tbd
(h)	Innovation			tbd
(i)	Surveillance			tbd
(j)	Co-financing & eligibility			tbd
TOTALS:		3,237	743	0

- 1.4 These forecasts do not include the resources and expenditures related to the COVAX Facility, details of which are provided in Doc 08. In the future, the financial information (resources and expenditures) related to Gavi COVAX AMC will be integrated into Gavi core financials forecasts.

2. Updated Forecast for 2016-2020 (Gavi 4.0)

2.1 Resources available

For 2016-2020, the forecast of resources of US\$ 9.5 billion has remained consistent with the figures presented at the December 2019 Board meeting, showing a net increase of US\$ 16 million, due to the following main factors:

- Increase of US\$ 367 million in contributions due to additional pledges for Gavi 5.0 expected to be received in advance.
- Increase of the net investment income by US\$ 66 million to reflect the performance achieved in 2019.
- Decrease of US\$ 178 million following the transfer of funds from the closing pneumococcal AMC program to the newly created COVAX AMC and US\$ 10 million directed from the pneumococcal AMC programme to Gavi core resources.
- Decrease of US\$ 177 million from the cash & investments reserve, calculated in accordance with the Programme Funding Policy
- Following the Pledging event in June 2020, the formula-based allowance for future contributions has been removed from the qualifying resources
- Finally, there has been \$ 200 million inflow from Norway for the Coalition for Epidemic Preparedness Innovations (CEPI) executed through IFFIm in July 2020 yields a net nil impact on the financial forecast as a corresponding expenditure amount has been recorded.

Figure 2: Forecast of Qualifying Resources 2016-2020

US\$ million, cash-flow basis

	2016-2020		
	Prior Forecast (v17.0) Dec 2019 Board	Change upon updating estimates	New Forecast (v18.0) Dec 2020 Board
Resources Available	US\$m	US\$m	US\$m
Direct contributions - confirmed	7,468	367	7,835
IFFIm Proceeds, excl CEPI	600	-	600
IFFIm Proceeds, CEPI	65	200	266
AMC Proceeds	530	(187)	343
Investment Income, etc.	300	66	367
Total Inflows	8,964	446	9,411
Available from Cash & Investments Reserve (beyond the minimum amount required)	303	(177)	126
Assured resources 2016-2020	9,267	269	9,536
Allowance for additional direct contributions, not yet pledged	253	(253)	-
Qualifying Resources	9,520	16	9,536
	\$9.5 bn		\$9.5 bn

2.2 Expenditure

For 2016-2020, the latest forecast expenditure stands at US\$ 9.2 billion. This is US\$ 81 million (1%) higher compared to the December 2019 forecast, the variance primarily reflects the end of the pneumococcal AMC programme and the impact of the COVID-19 pandemic. In particular:

- **Vaccine Spend: Net reduction of US\$ 130 million** driven by:
 - US\$ 235 million reduction in pneumococcal AMC of which US\$ 178 million redirected to the COVAX facility
 - US\$ 82 million increase in Ebola programme to fund the Procurement of the first Ebola vaccine stockpile in Q4 2020
 - Out of the US\$ 150 million approved by the Board on co-financing waiver to mitigate the large fiscal challenges caused by COVID-19, US\$ 65 million has been allocated in 2020. The Secretariat has been continuing to work with Alliance partners, particularly the World Bank, to protect the significant gains achieved in strengthening the financial sustainability of immunisation programmes, thus reducing requests for co-financing waivers. However, given the uncertainty of the long-term effect of the pandemic, the Board in September 2020 approved to roll over the remaining balance of US\$ 85 million to 2021.
- **Health System and Strengthening (“HSS”): Increase of US\$ 50 million.** At midyear, the Secretariat indicated to the AFC and the Board that it was possible that HSS disbursements would exceed the previous forecast amount of US\$ 1.375 billion for 2016-2020. While disbursement rates remain somewhat uncertain in the context of the COVID-19 pandemic, the Secretariat is now forecasting that total disbursements may reach US\$ 1.425 billion. This is driven by improved utilisation of core HSS envelope (due to improved disbursement rates, reduced disbursement timelines and significant uptake in the HSS flexibilities for coverage and equity), additional HSS for fragile countries approved under the Fragility, Emergencies, Refugees (FER) policy and frontloading of HSS for COVID-19 response.
- **Other cash-based support** (including Operational costs for campaigns & Vaccine Introduction Grants): **Reduction of US\$ 70 million** due to delays in campaigns and vaccine introductions as a result of COVID-19 disruptions and consequently lower operational costs.
- **COVID-19 vaccine delivery costs - increase of US\$ 80 million:** In September 2020, the Gavi Alliance Board approved the allocation of US\$ 150 million from core resources for initial funding to prepare AMC 92 economies to deliver COVID-19 vaccines, focusing on technical assistance and the procurement of cold chain equipment (CCE). To ensure that countries’ health systems are ready to deliver COVID-19 vaccines as soon as they become available, US\$ 80 million is forecasted to be disbursed in 2020 while the remaining disbursements are estimated to take place in 2021 (US\$ 70 million). The disbursements for 2020 and 2021 should be viewed as indicative estimates, subject to changes as the operationalisation of this decision will develop in the coming weeks.

- **Secretariat expenditure - Reduction of US\$ 15 million** mainly due to savings in Travels and Event expenses caused by the impact of COVID-19.
- **CEPI expenditure:** Flow through of **US\$ 200 million** with corresponding funds, yielding a net nil impact on Gavi's resources.

Figure 3: Forecast of Expenditures 2016-2020

US\$ million, cash-flow basis	2016-2020			
	Prior Forecast (v17.0) Dec 2019 Board	Change upon updating estimates	Impact of Dec 2020 decisions in 2016-2020	New Forecast (v18.0) Dec 2020 Board
Vaccine programmes	5,300	(130)		5,170
Health Systems Strengthening	1,375	50		1,425
Other cash-based, incl. op costs & vaccine intro grants	669	(70)		600
CCEOP programmes	200	(5)		195
CEPI	65	200		266
COVID delivery costs	-	80		80
PEF - Programmatic	911	(22)		890
Targeted Country Assistance	406	(4)		402
Strategic Focus Areas & Found. Support	300	(5)		295
Procurement fees	113	2		115
Other	93	(15)		78
Programmatic Expenditure	8,521	104	-	8,625
OpEx - PEF	77	(8)		69
OpEx - Secretariat	513	(15)		497
Operating Expenditure (Secretariat & PEF)	589	(23)	-	567
COVAX support	-	-	-	-
Total Expenditure	9,110 \$9.1 bn	81 \$0.1 bn	-	9,192 \$9.2 bn

3. Updated Forecast for 2021-2025 (Gavi 5.0)

The updated forecasts show that an amount of US\$ 424 million will remain available for future investments, subject to donors honouring their pledges.

3.1 Resources available

3.1.1 The forecast of resources for the period 2021-2025 stands at US\$ 10.4 billion, US\$ 965 million higher than the December 2019 Board projections, mainly driven by the successful replenishment. From the US\$ 1.432bn raised in excess of the replenishment ask in June, , US\$ 444 million have been transferred to the COVAX AMC facility, US\$ 367 have been received in advance in 2020, US\$ 281 million is an estimation of favourable FX impact across the period and the remaining balance of reflects the adjustment of the cash reserve resulting from these movements.

- 3.1.2 **Direct contributions** pledged from donors at US\$ 7.7 billion, represent the funding allocated to Gavi's core programs (excluding resources allocated to COVAX AMC).
- 3.1.3 **IFFIm proceeds** are projected at US\$ 2.2 billion, increased by US\$ 697 million to reflect the donor's pledges to IFFIm at the June 2020 replenishment.

Figure 4: Forecast of Qualifying Resources 2021-20205

US\$ million, cash-flow basis	2021-25		
	Prior Forecast (v17.0) Dec 2019 Board	Change upon updating estimates	New Forecast (v18.0) Dec 2020 Board
Resources Available	US\$m	US\$m	US\$m
Direct contributions (projected)	37	7,656	7,693
IFFIm Proceeds (projected), excl CEPI	1,475	697	2,172
Investment Income, etc.	125	-	125
Total Inflows	1,637	8,353	9,990
Available from Cash & Investments Reserve (beyond the minimum amount required)	390	63	453
Assured resources 2021-2025	2,027	8,415	10,442
Allowance for additional direct contributions, not yet pledged	7,451	(7,451)	-
Qualifying Resources	9,478	965	10,442
	\$9.5 bn	\$1.0 bn	\$10.4 bn

3.2 Expenditure

- 3.2.1 When the Alliance set its replenishment target, the Board decided to include inactivated polio vaccine within the core ask, while maintaining Gavi's previous commitment that the ask for Gavi 5.0 would be lower than for Gavi 4.0. To accommodate this, the HSS budget was reduced and HSS disbursements forecast to fall from US\$ 1.4 billion in Gavi 4.0 to US\$ 1.2 billion in Gavi 5.0, with most countries facing a reduction in their HSS ceiling.
- 3.2.2 Since then, COVID-19 has brought large-scale disruption of immunisation services, health systems and economies, putting years of progress at risk. It has also exacerbated inequities in many countries with the poorest and most marginalised communities more vulnerable to both the health and economic impacts of the pandemic. The Alliance's equity goals are more relevant and urgent than ever.
- 3.2.3 Given HSS and PEF support are currently set to decline in Gavi 5.0 at a time when countries' needs are increasing, the Board endorsed in September 2020 the need for additional resources to the HSS allocation to support the goals of the zero-dose agenda. At the same time, the Board reinforced the core principle of vaccine investments at a level required to

maintain the current vaccine programmes, introduce new vaccines, and reserves for outbreak response, including stockpiles.

Compared to December 2019 forecasts, expenditures have increased by US\$ 574 million (6%) as details the figure below:

Figure 5: Forecast of Expenditures 2021-2025

	Prior Forecast (v17.0) Dec 2019 Board	Change upon updating estimates	Impact of Dec 2020 decisions in 2021-2025	New Forecast (v18.0) Dec 2020 Board
Vaccine programmes	5,108	87		5,195
Health Systems Strengthening	1,200	-	500	1,700
Other cash-based, including op costs & VIGs	666	(22)		644
CCEOP programmes	200	5		205
COVID delivery costs	-	70		70
Institutionalising post-transition support & exploring MICs	281	-		281
Prevention of backsliding	-	20		20
Fiduciary risk assurance costs & Fin. Mgmt.*	-	-	25	25
PEF - Programmatic	917	85	128	1,129
Targeted Country Assistance	369	51	80	500
Strategic Focus Areas & Found. Support	307	10	48	365
Procurement fees	117	20		137
Other	124	4	-	128
Programmatic Expenditure	8,372	245	653	9,269
OpEx - PEF	102	(0)	-	102
OpEx - Secretariat	557	-	90	648
Operating Expenditure (Secretariat & PEF)	659	(0)	90	749
Prov. for Strategic Investments	413	(413)		-
Total Expenditure	9,444	(169)	743	10,018
	\$9.4 bn	\$0.6 bn		\$10.0 bn

3.2.4 The drivers of the variance are further detailed below:

- Vaccine spend - net increase of US\$ 87 million:** US\$ 115 million decrease in VIS vaccines due to delays in the introductions in the context of COVID-19 pandemic compensated by expenditure increase in a number of programs and US\$ 85 million related to the carry forward of the co-financing waivers approved by the Board. As part of the Vaccine Investment Strategy (VIS) the Board approved the use of the global cholera stockpile in endemic settings through 2020. To ensure continued progress on preventive OCV campaigns in light of pausing the introduction of VIS vaccines, and to send a positive signal to manufacturers to hedge against market health risks, an extension of the cholera stockpile's use in endemic settings through 2022 is recommended. The endemic cholera programme approved as part of the VIS will be implemented no later than the start of 2023. As per the operational forecast reviewed by the Audit and Finance Committee (AFC), this will lead to an overall increase in OCV funding of US\$ 13.3 million over the 2021-2025 period, which is expected to be offset by savings in the overall VIS costs.

- **COVID vaccine delivery cost: Increase of US\$ 70 million** representing the part of the disbursements expected in 2021 from the Board approved support of US\$ 150 million.
- **Partners' Engagement Framework: Increase of US\$ 85 million** due to increased country needs for technical assistance in the context of COVID-19 and equity agenda and higher estimated procurement fees approved by the Board in June 2020.

3.2.5 An initial set of investments for a **total of US\$ 743 million** included in these forecasts is proposed for approval to the Gavi Alliance Board to drive the equity agenda. The additional ask consists of:

- **US\$ 500 million in HSS** (US\$275 million (19%) more than in Gavi 4.0) as dedicated financing to advance Gavi's equity agenda, reaching zero dose and missed communities. Financing will be used to identify, reach, monitor, measure and advocate for these communities with a sub-national focus. It will also help to build the right partnerships and create political momentum to ensure zero dose children receive a full schedule of vaccines with a view to ultimately building resilient platforms to deliver other PHC services. Further information can be found in Doc 05b.
- **US\$ 128 million PEF support** for zero-dose to complement and catalyse HSS investments and help accelerate progress on the equity agenda. This would be for:
 - \$ 80 million PEF Technical Country Assistance to continue to diversify provision of TCA and scale-up technical assistance at subnational level to complement HSS.
 - \$ 48 million in Foundational Support (FS) and special investments in Strategic Focus Areas (SFA) to accelerate normative guidance and transformative tools by partners at global and regional levels to bring heightened focus on areas critical to the equity agenda, such as addressing gender-related barriers and vaccine hesitancy.
- **US\$ 90 million for Secretariat capacity**
 - Greater capacity is needed in specialised resources to drive progress on Gavi 5.0 and its strategic goals, including zero dose agenda, strengthen programming and oversight.
 - Additional Gavi staff positions following an organisational review of the Secretariat. Conducted with the support of McKinsey, the organisational review identified opportunities for efficiency gains as well as gaps in capacity and resourcing in light of Gavi 5.0. Additional staff positions will be required to address the increased complexity associated with engaging with fragile countries, targeting support at sub-national level, reaching zero dose children and providing effective stewardship of larger resources and increased business complexity to safeguard Gavi investments in vaccines and cash support.
 - IT capability investments to unlock internal efficiencies as well as improve digital interface with countries and partners. Virtual

working due to the current pandemic has become the new normal and now requires an upgrade of IT infrastructure. After the successful implementation of SAP, an integrated, end to end portfolio management tool is the key investment priority.

- The Secretariat budget also includes the adverse impact of the weaker USD v CHF FX expected in 2021 and 2022.
- **US\$ 25 million for Fiduciary risk mitigation and financial management:** Bridge funding for 2021 is requested to cover fiduciary risk mitigation and financial management capacity-building. As requested by the Gavi Alliance Board at its October 2018 meeting, the Secretariat is developing a strategic approach for fiduciary risk assurance and financial management capacity building in Gavi-eligible countries as part of the long-term goal to return funding directly to country systems. Two factors make this even more pressing: Gavi's approach to zero-dose children will entail new partnerships, including with local partners and more funding disbursed at sub-national levels, where financial management capacity is weaker; and COVID-19 disruptions may impair grant oversight, increasing risk of misuse. A full approach including a more detailed funding request for additional resources for Gavi 5.0 will be presented to the Board in 2021.

3.3 Other Financial Matters

In addition to the forecast, this report also provides an update on resources and expenditure as of Q3 2020, detailed in the Appendix 2.

Section C: Actions requested of the Board

The Gavi Alliance Audit and Finance Committee reviewed the Financial Forecast and **recommends** 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 Figure 1 of Doc 02a and concluded that these recommendations could be approved by the Board in accordance with the Programme Funding Policy;
- b) **Approve** the updated Financial Forecast for the period 2016-2020 as set out in Section B of Doc 02a;
- c) **Approve** the Financial Forecast for the period 2021-2025 as set out in Section B of Doc 02a, which is dependent on resources becoming available for that period; and
- d) **Authorise** the Gavi Secretariat to allot funding in 2021 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy.

Annexes

Annex A: Implications / Anticipated impact

Annex B: Terminology used in the Financial Forecast

Additional information available on BoardEffect

Appendix 1: Additional Information on Financial Forecasts

Appendix 2: Other Financial Matters - Update on resources and expenditures (Q3 2020)