

**SUBJECT:** FINANCIAL FORECAST

**Agenda item:** 03

**Category:** For Decision

Please find attached the report submitted to the Audit and Finance Committee (AFC) at its meeting on 23 July 2020.

**Action requested of the Board**

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

**Note** that the Audit and Finance Committee has reviewed the financial implications of the recommendation as set out in Figures 1 of Doc 03b (Financial Update) to the 23 July 2020 meeting of the Audit and Finance Committee and concluded that the recommendation could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.

*The AFC recommendation which pertains to pre-financing of the COVAX Facility is presented to the Board for consideration under Doc 04b.*

**SUBJECT:** FINANCIAL UPDATE

**Agenda item:** 03d

**Category:** For Decision

### **Section A: Summary**

- The COVID-19 pandemic situation is continuing to evolve rapidly, resulting in a continued state of flux for Gavi supported countries. With over 1.5 million cases, accounting for approximately 14% of global burden, the exact trajectory of disease and its ultimate impact on immunisation programmes in Gavi supported countries is exceedingly difficult to predict at this moment.
- As requested by the Audit & Finance Committee (AFC), this report presents:
  1. **An updated expenditure forecast** based on the evolving impact of the COVID-19 pandemic on Gavi's core mission. Changes have focused on the very near-term 2020 & 2021 period, to reflect Gavi's 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 programmes.
  2. **An updated resource forecast** to reflect the results from the 4 June Global Vaccine Summit (GVS). Gavi succeeded in mobilising over US\$ 1 billion more than its minimum replenishment ask. This will give Gavi the opportunity to scale up investments<sup>1</sup> in programmatic elements that are critical to achieving the ambitious goals of Gavi's 2021-25 Strategy, particularly given the challenges brought about by COVID-19.
  3. The implications of the expenditure and resource updates on the **Net Available for Future Investments** for the periods 2016-2020 and 2021-2025.
  4. An overview of the COVAX Facility and related financial implications.
- This report asks the AFC to review the financial implications of the recommendations to be made at the 30 July 2020 Gavi Board meeting in relation to the COVAX Facility (Section 4) as set out in Section 3 Figure 1 and confirm that these recommendations can be approved by the Gavi Board in accordance with the Programme Funding Policy.

<sup>1</sup> These potential additional investments are subject to negotiation of donor grants.

- Two special Gavi Board meetings will be convened in July and September 2020. The 30 July Board meeting will focus on implications of the COVAX facility and COVAX AMC and the 29 September Board meeting will aim to get a steer on areas needing additional investments and the related estimates of the financial implications. The Secretariat is working with Alliance partners to explore these in greater detail and bring back more concrete proposals at the 29 September Board meeting and subsequent discussions.
- This July AFC forecast acts as a pre-cursor to these discussions, as it focuses on the very near-term 2020 & 2021 period with the recognition that figures will continue to be updated as the situation evolves, and more accurate information becomes available.

## **Section B: Financial Update**

### **1 Update to expenditure forecast: Impact of COVID-19 pandemic on Gavi's core mission and Gavi's response**

- 1.1 As discussed by the Board at its meeting on 11 May 2020, Gavi's approach to helping countries protect, maintain, restore and strengthen immunisation is based on three pillars: (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. The financial forecast has been updated to reflect Gavi's three pillared response to the COVID-19 pandemic.
- 1.2 In assessing the expenditure forecast through the three-pillar lens, the following key forecast assumptions must be highlighted:
  - a) **Vaccine forecast scenario:** A "medium-risk scenario" was assumed for the vaccine forecast. This was defined as six months of an acute pandemic period, 12-24 months recovery with COVID-19 resurgence in some countries, medium economic downturn and Gavi-supported countries substantially affected for 1-3 years. A low and high-risk scenario was also developed and included in Annex D.
  - b) **Vaccine coverage:** Assumptions were informed by the WHO Pulse survey outputs. Programme adaption, resumption and additional support based on public health priority and disease burden<sup>2</sup>.
  - c) **HSS Forecast:** The 2020 HSS forecast was informed by a bottom-up review of each country's anticipated disbursements. This was based on latest country information received by the Secretariat, included COVID-19 related re-programming approvals. The 2020 HSS forecast remains unchanged since the December 2019 Board meeting, with increased disbursements to date compared to 2019. However, the bottom-up forecast suggests disbursements may slightly exceed the

<sup>2</sup> Additional programmatic guidance from WHO on delivering immunisation services during the pandemic is still under development.

US\$ 1.375 billion projected for 2016-2020 depending on the impact of COVID-19 over the course of the rest of the year. The Secretariat will continue to monitor this carefully and provide an update to the AFC at its October 2020 meeting.

- d) **The 2021-2025 HSS forecast** remains anchored in the US\$ 1.2 billion ceiling allocation envelope. This will likely need to be revised following the 29 September Board meeting if the Board agrees to increase investments in HSS to accelerate progress on equity and zero dose children and respond to effects of COVID-19 on immunisation.

**The estimated impact of the three-pillar response and updated forecast assumptions indicates a net decrease of ~3.8% for 2020 and ~ 3.0% decrease for 2021 expenditures, compared to the figures presented to the AFC at its May 2020 meeting. See below for the detailed tables and explanation.**

**Table 1: Summary of Changes to the 2020 & 2021 Expenditure Forecast, by variance drivers**

Cash flow basis, US\$m		2020					July-2020 AFC Forecast	
		Gavi's Three Pillar Response				Update on Forecast Assumptions (Note 1)		
		May-2020 AFC Forecast	(a) Immediate Support for Country Response	(b) Maintain, Restore & Strengthen Immunisation Services	c) Responding to fiscal impact on Immunisation Services			
Expenditure	Programmatic	1,755	46	78	150	-386	1,643	-6%
	Partnership	256		21	20	0	297	16%
	Secretariat	110				-9	101	-8%
	<b>Total Expenditure</b>	<b>2,121</b>	<b>46</b>	<b>99</b>	<b>170</b>	<b>-396</b>	<b>2,040</b>	<b>-3.8%</b>

Note 1: Includes reduction of PCV-AMC expenditure of \$187.5m, with the equivalent reduction to resources resulting in a NIL impact on Net Available for Future Investments.

		2020 -Summary of Variance Drivers			
		Gavi's Three Pillar Response			Update on Forecast Assumptions
		(a) Immediate Support for Country Response	(b) Maintain, Restore & Strengthen Immunisation Services	c) Responding to fiscal impact on Immunisation Services	
Expenditure	Programmatic	1) Advancement of Funds - Freight 2) Advancement Funds - PPE	1) Supplemental Approaches	1) Co-financing waivers	1) Programmatic disruptions existing programmes 2) Delayed new introductions & campaigns 3) PCV-AMC updated assumptions
	Partnership		1) PEF-TCA & SFA increase due to COVID related activities	1) Prevention of Backsliding	
	Secretariat				1) Forecasted savings

Cash flow basis, US\$m		2021					July-2020 AFC Forecast	
		Gavi's Three Pillar Response				Update on Forecast Assumptions		
		May-2020 AFC Forecast	(a) Immediate Support for Country Response	(b) Maintain, Restore & Strengthen Immunisation Services	c) Responding to fiscal impact on Immunisation Services			
Expenditure	Programmatic	1,402		82	10	-208	1,286	-8%
	Partnership	262		61	0	0	323	23%
	Secretariat	111					111	0%
	Provision for Strategic Investments	83					83	
	<b>Total Expenditure</b>	<b>1,858</b>	<b>0</b>	<b>143</b>	<b>10</b>	<b>-208</b>	<b>1,803</b>	<b>-3.0%</b>

2021 -Summary of Variance Drivers					
Gavi's Three Pillar Response					
		(a) Immediate Support for Country Response	(b) Maintain, Restore & Strengthen Immunisation Services	c ) Responding to fiscal impact on Immunisation Services	Update on Forecast Assumptions
Expenditure	Programmatic		1) Supplemental Approaches	1) Freezing eligibility	1) Programmatic disruptions existing programmes 2) Delayed new introductions & campaigns
	Partnership		1) PEF-TCA & SFA increase due to COVID related activities		
	Secretariat				

Detailed explanation of each of the variances laid out in the tables are presented below following the structure of the tables.

### ***Variance due to Pillar (a): Immediate Support for Country Response***

- 1.3 **2020 Advancement of Funds - Freight (US\$ 6.4 million):** A major concern for the Alliance has been the potential for stock-outs due to disruptions in global supply chains. UNICEF is spearheading the Alliance's work on this, and Gavi provided UNICEF with US\$ 6.4 million in funding to overcome crisis-related logistical challenges, including by chartering flights when necessary. To date, US\$ 0.9 million has been drawn from this facility.
- 1.4 **2020 Advancement of Funds - PPE (US\$ 40 million):** Another concern was the highly constrained nature of the supply markets required to respond to COVID-19, including for Personal Protective Equipment ("PPE"), COVID-19 Diagnostics, and other medical equipment urgently needed by Gavi-supported countries. In response, Gavi provided UNICEF with US\$ 40 million for procurement on behalf of countries, utilising their HSS funding flexibilities. To date, US\$ 39.2 million has been drawn from this facility.
- 1.5 **Flexibilities for Re-Programming of HSS funding:** The Secretariat has offered immediate flexibilities to all eligible and transitioned countries on use of Gavi's different funding channels. These flexibilities granted to countries have been implemented through reprogramming of Health Systems Strengthening (HSS) funding, Post transition engagement (PTE) support and technical support under the Partners Engagement Framework (PEF). As of 7 July 2020, the Secretariat has approved 58 COVID-19 applications for reprogramming for over US\$ 78 million of support. Of this, 42 applications are HSS reprogramming applications totalling US\$ 76 million<sup>3</sup>. The main components of reprogramming are Infection Prevention and Control (IPC), Risk communication and community engagement, case management and national laboratories. There are no implications on the financial forecast as these funds are part of HSS grant disbursements already included in the forecast. See Annex F for further details.

<sup>3</sup> Received from 38 countries.

### **Variance due to Pillar (b): Maintain, Restore & Strengthen Immunisation Services**

- 1.6 **Supplemental Approaches: 2020 (US\$ 78 million) and 2021 (US\$ 52 million):** With ongoing disruptions to immunisation programmes as a result of COVID-19, catching up children who are missing vaccinations is an important priority. Given the heterogeneity in countries, catch up approaches would need to be highly tailored but also highly efficient and integrated. Included in the forecast are the estimated costs for supplemental approaches to close immunity gaps and catch up missed children. These approaches include Periodic Intensification of Routine Immunisation (PIRI's) and catch-up campaigns. While programmatic implementation of the supplemental approaches are forecasted for 2021, disbursement of funds are forecasted to occur already in Q4-2020 to enable implementation from the start of Q1-2021 onwards. Note this additional support is dependent on expected WHO Guidance.
- 1.7 **HSS Disbursement timing: 2021 (US\$ 30 million):** Whilst the overall 2021-2025 HSS forecast remains anchored in the US\$ 1.2 billion ceiling allocation envelope, there is an anticipation that the disbursement trend may pull forward some disbursements to the beginning of the period to address more immediate programmatic needs. Therefore this US\$ 30 million forecasted increase for 2021 disbursement is offset by an equivalent decrease in 2022-25, resulting in a NIL disbursement impact for the overall 2021-2025 period.
- 1.8 **PEF-TCA & SFA 2020 (US\$ 21 million) and 2021 (US\$ 61 million):** To date US\$ 1.8 million has been re-programmed for technical support to respond to COVID-19. Additional concerted efforts and partnerships will be required, including with humanitarian partners, CSOs and other non-traditional partners, that is not possible under the current mechanism and current funding. The broadening of our partnership effort is reflected in estimated additional technical country assistance and in special investments in the strategic focus area activities in both 2020 and 2021.
- 1.9 The Alliance is further developing its approach to help countries maintain and restore immunisation in response to COVID-19, with a view to start putting in place the foundation for stronger immunisation services in line with Gavi 5.0 goals and objectives. This may require some short-term additional support to countries for immediate needs to maintain services (in addition to the items already discussed in para 1.6 & 1.8 above) in advance of the 29 September Board meeting and can be accommodated within the flexibility delegated by the Board to the CEO. The Secretariat is currently quantifying the likely need and will aim to present this to the AFC at its upcoming meeting.
- 1.10 In light of the COVID-19 pandemic, the Alliance is also recalibrating its approach to Gavi 5.0 more broadly to achieve its ambitious goals and objectives with equity at the center. This may require additional resources for the Gavi 5.0 period, for example to sustainably extend immunisation services to zero-dose communities, to address growing vaccine hesitancy

and mistrust, and to scale innovative programmatic approaches and new partnerships. The Secretariat will start engaging in a dialogue with an initial set of countries over the summer without making any commitments. The Secretariat will aim to present a more detailed perspective at the September 2020 AFC and Board meetings.

### ***Variance due to Pillar (c): Responding to Fiscal Impact***

- 1.11 **2020 Co-Financing Waivers (US\$ 150 million) and 2021 freezing of country eligibility<sup>7</sup> (US\$ 10 million):** In May 2020, the Board approved the freezing of country eligibility and co-financing status and delegated to Gavi's CEO the authority to grant co-financing waivers on a case-by-case basis upon a country's request. Nine countries<sup>4</sup> have already requested a co-financing waiver, and a further five countries<sup>5</sup> have indicated that they are at risk of default. The Secretariat is working with countries, the World Bank and other partners to continue to advocate for domestic vaccine financing and develop country-tailored solutions. As of June 2020, countries have already paid US\$ 60 million in co-financing, so although the full cost of waivers is unknown, it is unlikely that the full US\$ 150 million will be used. However, given the continuing high level of uncertainty regarding the fiscal impact of the pandemic, including on countries which have already made the required transfers to cover their 2020 obligations, the full potential financial implications<sup>6</sup> of US\$ 150 million in 2020 for the co-financing waivers and the estimated impact of US\$ 10 million<sup>7</sup> for the freezing of country eligibility status for 2021 have been included in the forecast, as per the Gavi Board's 11 May 2020 decision. These estimates are expected to be revised in coming months as the pandemic's economic and fiscal impact on Gavi countries becomes clearer.
- 1.12 **Prevention of Backsliding (US\$ 20 million):** In June 2020, the Gavi Board agreed with the importance of supporting former Gavi-eligible countries to address the emerging risks of backsliding in immunisation programme performance due to COVID-19. Hence, in these countries the Board allocated US\$ 20 million in targeted Gavi funding (excluding vaccine financing) to mitigate backsliding risks, where well justified and needed. This time-limited (until 31 December 2020) and targeted support aims to specifically address the unique circumstances brought about by COVID-19 and is therefore not expected to create a precedent that might detract from Gavi's sustainability approach. The full US\$ 20 million has been included in the 2020 forecast.

<sup>4</sup> Afghanistan, CAR, Burkina Faso, Ethiopia, Liberia, Kyrgyzstan, PNG, Sierra Leone, Somalia

<sup>5</sup> Guinea, Haiti, Lao PDR, Niger, Sudan

<sup>6</sup> This represents a worst-case scenario where all countries with 2020 co-financing obligations would request a co-financing waiver, including those which have already paid them.

<sup>7</sup> The May 2020 Board decision indicated financial implications of US\$ 150 million for the 2021-2025 period. The US\$ 10 million represents the 2021 impact only.

**Variance due to Forecast Assumptions update: 2020 (-US\$ 396 million) & 2021 (-US\$ 208 million)**

- 1.13 **PCV-AMC expenditure forecast 2020 (-US\$ 187.5 million):** Following the publication of the fifth Call for AMC Supply Offers on 13 February 2020, UNICEF in its capacity as Gavi's procurement agency, confirmed its entry into a new PCV-AMC supply agreement with the Serum Institute of India (SII) on 2 June 2020. This new supply agreement has been included in the 2020 forecast for anticipated expenditure of US\$ 75 million. As the PCV-AMC mechanism will end on 31 December 2020, no further supply agreements are anticipated to be signed and therefore the remaining US\$ 187.5 million of originally forecasted PCV-AMC expenditure in 2020 will no longer occur. This decrease in ear-marked expenditure results in an equivalent decrease in anticipated AMC proceeds included in the 2016-2020 Assured Resource forecast so there is a NIL impact on the net available for future investments figure.
- 1.14 **Programmatic disruption to existing programmes: 2020 (- US\$ 75 million) and 2021 (-US\$ 20 million):** As informed by the WHO Pulse survey, under all three vaccine scenarios there are estimated coverage decreases over the next two years, ranging from annual 15% to 40% across all programmes during the acute phase of the pandemic (6 months). The coverage drop assumptions leverage WHO Pulse survey responses and are *very preliminary indication* of interruptions and will be updated as further information on interruptions is available. To underscore, these are very indicative figures that will continue to change as the pandemic situation evolves.
- 1.15 **Delayed new vaccine introductions and campaigns: 2020 (- US\$ 75 million) and 2021 (-US\$ 140 million)** COVID-19 has already had a measurable impact on introductions and campaigns. Of the up to 68 introductions approved or forecasted for introduction in 2020, 48 have already been or are at risk of being postponed. That said, a large portion of these delays are to dates later in the 2020 year or early 2021 therefore there is potentially a marginal impact from a disbursement forecast perspective. The situation remains *very dynamic* and the Secretariat continues to monitor the situation very closely.
- 1.16 **Updated assumptions on VIS vaccine roll-out in 2021 (US\$ -40 million):** With countries' priorities focussed on tackling COVID-19 and restoring immunisation coverage, the introduction of new vaccines might be considered less urgent. The rollout of the various vaccines approved through the 2018 vaccine investment strategy (VIS) might have to be deferred and reassessed after the acute phase of the pandemic, resulting in a reduction of US\$ 40 million for 2021 expenditures.
- 1.17 **Updated Cashflow assumptions 2020 (US\$ -50 million) and 2021 (US\$ - 8 million):** With the updated programmatic changes in para 1.14. & 1.15, the cashflow disbursement assumptions have been updated accordingly contributing to the overall decrease in expenditures.

1.18 **Secretariat update 2020 (US\$ -9 million):** The forecasted underspend is driven by three main components: (1) Reduced travel and related travel security costs during the lock down period (2) Reduced events & meeting costs, primarily due to virtual meetings and (3) partially offset by increased consultancy costs for surge capacity.

## 2 Updated Resource Forecast: Impact of 4 June 2020 Global Vaccine Summit (GVS)

2.1 **Direct Contributions, IFFIm proceeds and Cash & Investment Draw-down:** In addition to the expenditure updates discussed above, resources have been updated to reflect the 4 June 2020 GVS replenishment results for the contributions pledged towards Gavi's core programmes<sup>8</sup>. This in turn resulted in an updated forecast for Cash & Investment draw-down. See Annex H for further details on direct contributions for 2021-2025 period.

2.2 **AMC Proceeds:** Assumptions on the AMC-PCV proceeds<sup>8</sup> have been updated to reflect the anticipated utilisation of the AMC funding under the existing PCV-AMC mechanism (see para 1.13 above) and the roll-over US\$ 177.5 million of un-used PCV-AMC funds into the new Gavi COVAX-AMC<sup>8</sup> pledges (as announced at the 4 June 2020 Global Vaccine Summit).

2.3 **Investment Income:** As discussed at the June 2020 AFC meeting, what has started as a global health concern has quickly become an unprecedented global economic crisis, characterised by volatility and mostly negative swings in equity markets, disruption in supply chains, and heavy damage on industry and labour markets. For the purposes of this forecast, the investment income forecast has been kept at its original conservative level of US\$ 25 million per year which remains a valid assumption.

2.4 **Allowance for Further Contributions:** This allowance is no longer included in the forecast, as the Replenishment results are now known, and the investment ask was successfully exceeded.

**These updates in para 2.1 – 2.4 have resulted in an ~1.3% decrease in Qualifying Resources in 2016-2020 and an ~11.1% increase in Qualifying Resources for 2021-2025. See below for the detailed tables.**

## 3 Updated Net Available for Future Investments Forecast

3.1 With the update to both expenditures and resources as discussed in sections 1 & 2 above, the overall forecast for the two strategic periods has been updated.

3.2 **2016-2020 Net Available for Future Investment US\$ 368 million:** The estimated impact of potential coverage decreases and delayed new introductions and campaigns has been more than offset by the inclusion of estimated financial implications of co-financing waivers and supplemental

<sup>8</sup> This updated forecast figure excludes the pledges of US\$ 0.5 billion earmarked towards the COVAX-AMC mechanism, which contains \$177.5 million of the \$187.5 million of rolled-over PCV-AMC funds into the 2021-2025 period.

approaches to closing immunity gaps and catch-up missed children in the context of COVID-19 pandemic. **See Section 4 for detailed discussion on the Impact of the Decision being put forward to the AFC.**

- 3.3 **2021-2025 Net Available for Further Investment US\$ 1.18 billion:** As the implications in the longer term are much too variable to provide any meaningful updates, the 2022-2025 expenditure figures have been maintained at the May 2020 AFC forecast levels. These longer-term expenditure figures will be informed by the July and September 2020 Board meeting discussions. Net Available for Future Investments figure has increased to US\$ 1.18 billion, reflecting the successful replenishment results for the full 2021-2025 period in which Gavi has raised funds in addition to the originally estimated need (that is still reflected in the 2022-2025 expenditure figures). Further discussions will be had at the September 2020 AFC and Board meetings on how these funds could be utilised<sup>9</sup> between core and COVAX-AMC activities to realise the high level of ambition underpinning Gavi 5.0 in the context of the COVID-19 pandemic. **See Section 4 for detailed discussion on the Impact of the Decision being put forward to this AFC.**

**Figure 1: Overview of potential decisions and their financial implications 2016 - 2020 and 2021 – 2025**

Cash flow basis, US\$m		2016 - 2020				Difference	
		May 2020 Forecast	July 2020 Forecast				
		Total	2016-2019: Actuals	2020 Re-Forecast	Total		
Resources	Direct contributions (incl. IPV)	7,448	6,296	1,454	7,750	302	
	IFFIm proceeds -excl CEPI	601	401	200	601	0	
	AMC proceeds	530	268	74	342	-188	
	Investment Income & Others	367	342	25	367	0	
	<b>Total Inflows</b>	<b>8,946</b>	<b>7,306</b>	<b>1,753</b>	<b>9,059</b>	<b>114</b>	<b>1.3%</b>
	From decrease/(increase) in Cash & Investment Reserve	303			343	40	
	<b>Assured Resources</b>	<b>9,249</b>			<b>9,402</b>	<b>153</b>	<b>1.7%</b>
Allowance for Further Contributions	280				-280		
<b>Qualifying Resources</b>	<b>9,528</b>			<b>9,402</b>	<b>-126</b>	<b>-1.3%</b>	
Expenditure	Programmatic	7,627	5,872	1,643	7,515	-112	
	Partnership	978	723	297	1,020	41	
	Secretariat	506	395	101	496	-10	
	<b>Total Expenditure</b>	<b>9,111</b>	<b>6,990</b>	<b>2,040</b>	<b>9,030</b>	<b>-81</b>	<b>-0.9%</b>
Available for Future Investments before current decisions		417			372		
Impact of Decisions for consideration now					4.0		
<b>Net Available for Future Investments after current decisions</b>		<b>417</b>			<b>368</b>		
<b>Decisions for consideration by the July 2020 Board - US\$ million</b>		<b>Decision amount</b>	<b>Already in Forecast</b>	<b>Incremental to 2020 Forecast</b>	<b>Board Document</b>		
(a) COVAX Facility - indicative estimate		5.4	1.4	4.0	tbd		
				<b>4.0</b>			

<sup>9</sup> Subject to signed grant agreements reflecting donor negotiations.

Figure 1 (con't)

Cash flow basis, US\$m		2021 - 2025				
		May 2020 Forecast	July 2020 Forecast		Total	Difference
Resources		Total	2021 Re-forecast	2022-2025 May 2020 Forecast - note		
		Direct contributions	52	1,575	6,299	7,874
	IFFIm proceeds	1,475	442	1,767	2,209	734
	Investment Income & Others	125	25	100	125	0
	<b>Total Inflows</b>	<b>1,652</b>	<b>2,042</b>	<b>8,167</b>	<b>10,208</b>	<b>8,556</b> 517.9%
	From decrease/(increase) in Cash & Investment Reserve	396			332	-64
	<b>Assured Resources</b>	<b>2,048</b>			<b>10,540</b>	<b>8,492</b> 414.6%
	Allowance for Further Contributions	7,443				-7,443
	<b>Qualifying Resources</b>	<b>9,492</b>			<b>10,540</b>	<b>1,049</b> 11.1%
Expenditure	Programmatic	7,175	1,286	5,743	7,029	-147
	Partnership	1,301	323	1,039	1,362	61
	Secretariat	557	111	446	557	0
	Provision for Strategic Investments (note 2)	413	83	330	413	0
	<b>Total Expenditure</b>	<b>9,446</b>	<b>1,803</b>	<b>7,558</b>	<b>9,361</b>	<b>-86</b> -0.9%
Available for Future Investments before current decisions		45			1,180	
Impact of Decisions for consideration now					3.0	
<b>Net Available for Future Investments</b>		<b>45</b>			<b>1,177</b>	
<b>Decisions for consideration by the July 2020 Board - US\$ million</b>		<b>Decision amount</b>	<b>Already in Forecast</b>	<b>Incremental to Forecast</b>	<b>Board Document</b>	
(a) COVAX Facility - indicative estimate		3.0	0	3.0	tbd	
				<b>3.0</b>		

Note 1: Resources have been updated for Replenishment results, with indicative even split over the 5 year period. Expenditures kept at May 2020 AFC forecast levels.

Note 2: Has been kept at the May 2020 AFC forecast level, further discussion is required and will be updated for next 2020 AFC forecast update

See Annex H for further details on direct contributions for 2021-2025 period.

- 3.4 Figure 1 indicates that an amount of US\$ 0.4 billion is available for other new investments through 2020 and an amount of US\$ 1.18 billion is available for other new investments through 2025.

**In conclusion, sufficient resources are available such that all the decisions that may be recommended for approval can be made in accordance with the Programme Funding Policy.**

#### 4 COVAX Facility discussion – For DECISION

- 4.1 Gavi is working closely with WHO and the Coalition for Epidemic Preparedness Innovations (CEPI) to lead the Vaccines Pillar of the Access to COVID-19 Tools (ACT) Accelerator. As part of this initiative, Gavi is leading the design of the COVAX Facility, a mechanism that contributes to securing equitable accelerated access to COVID-19 vaccines by pooling global demand and resources to secure rapid supply at scale by providing manufacturers with certainty of future financing and procurement. As part of the Facility, the Gavi COVAX AMC<sup>8</sup> serves as an innovative finance instrument which utilises donor funding to secure access to vaccines specifically for LMICs countries. The Gavi Covax AMC framework including

governance, terms and scope of countries supported through the COVAX AMC will be discussed by the Gavi Board at its meeting on 30 July 2020. Refer to Annex G for further explanations of the COVAX Facility.

- 4.2 Ensuring developing countries are able to access COVID-19 vaccines and are not left behind will require raising sufficient donor funding for the COVAX AMC, in addition to the funds already raised at the 4 June 2020 Global Vaccine Summit<sup>8</sup>, and securing the participation of self-financing high income and upper middle-income countries in the COVAX Facility. This minimises a scenario in which higher income countries instead focus solely on striking bilateral deals with manufacturers to serve their domestic needs and leaving little vaccine supply for Gavi-supported countries.
- 4.3 The Gavi Secretariat is currently administering the COVAX Facility and COVAX AMC. Successful implementation will require sufficient resourcing for operationalising the mechanism and effective governance. **From March through the end of July 2020, the Secretariat will have spent from within its existing budget ~US\$ 1.4 million** on consultant support and external legal counsel to support the design and initial implementation of the COVAX Facility and AMC. Looking ahead, the Secretariat anticipates that additional dedicated resources will be required to successfully operationalise the Facility and AMC. The extent of resourcing will depend on the number of participating countries. To ensure Gavi's core work is not impacted and a dedicated focus on the Facility is maintained, most of these resources would sit in distinct functional teams (e.g., deal making, portfolio management), although incremental resources are likely to be embedded in several support functions (e.g., resource mobilisation, finance, legal) to leverage synergies and economies of scale. The Secretariat would gradually scale-up resources over the course of the remainder of the year. **The estimated additional financial implications for the next 12 months are approximately US\$ 7 million<sup>10</sup>, inclusive of external legal fees and other expenses.**
- 4.4 The Secretariat now seeks the AFC's recommendation to the Gavi Board that it **approve the pre-financing of these costs at risk through Gavi funds** to enable operationalisation of the COVAX Facility and COVAX AMC. These costs would ultimately be substantially funded through the COVAX Facility participation fees for self-financed countries (UMICs and HICs) and through Gavi funding mobilized for procurement and delivery of COVID-19 vaccines for Gavi-supported countries (subject to board approval). The Secretariat would regularly update the AFC and Gavi Board on evolving needs.
- 4.5 Regarding the governance mechanism, the Gavi COVAX AMC will draw on the successful governance arrangements of the PCV AMC and where applicable utilise existing Gavi governance bodies to be presented in the 30 July Board meeting for decision. The COVAX Facility would require a tailored governance mechanism with representation from Facility participant

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<sup>10</sup> Assumption of surge capacity for the first 6 months and then steady state afterwards, as a result forecast assumes US\$ 4 million for 2020 and US\$ 3 million for 2021.

countries and investors. A specific proposal will be brought to the Board in July 2020.

### **Section C: Actions requested of the AFC**

The Gavi Alliance Audit and Finance Committee is requested to review the financial forecast and recommend to the Gavi Alliance Board that it:

- a) **Approve** the pre-financing of the COVAX Facility initial costs through Gavi funds to enable operationalisation of the COVAX Facility, which includes the COVAX AMC mechanism. The estimated amount is US\$ 8.4 million, of which US\$ 1.4 million has already been incurred and an incremental US\$ 7 million is forecasted for the next 12 months. These costs will ultimately be funded through the COVAX Facility participation fees for self-financed countries (UMICs and HICs) and through Gavi funding mobilised for procurement and delivery of COVID-19 vaccines for Gavi-supported countries (subject to Gavi Alliance Board approval).
- b) **Note** that the Audit and Finance Committee has reviewed the financial implications of this recommendation as set out in Figures 1 of Doc 03b (Financial Update) and concluded that this recommendation could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.

### **Annexes**

**Annex A:** Implications/Anticipated impact

**Annex B:** Terminology and Rounding

**Annex C:** Comparison to December 2019 Board Forecast

**Annex D:** Vaccine Scenarios – key assumptions

**Annex E:** Advancement of Funds PPE - details

**Annex F:** HSS re-programming details, by country

**Annex G:** Overview of ACT Accelerator & COVAX Facility

**Annex H:** Details of 2021-2025 Direct Contributions, aligned with 4 June 2020 GVS results



## **Annex A: Implications/Anticipated impact**

### **1 Impact on countries**

- 1.1 A detailed assessment of the risk implications of COVID-19 can be found in document 03 Annex F of the 24-25 June 2020 Board document ('Strategy Implications of COVID-19: Gavi 4.0 Progress, Challenges and Risks and Update on Gavi 5.0 Operationalisation').

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

- 2.1 The risks that may impact the financial forecast and the associated mitigation measures remain as outlined in document 6a of the December 2019 Board meeting ("Financial Update, including Forecast").



## Annex B: Terminology and Rounding

Terms used in this paper have the meanings described below, and are relevant to Gavi's Programme Funding Policy:

- (a) Assured Resources comprise:
- Cash and investments of Gavi, in the amount that exceeds the Cash and Investments Reserve (see (g) below)
  - Expected proceeds from IFFIm, based on existing donor pledges
  - Expected AMC and any other contributions that are contingent on programmatic expenditure included in the expenditure forecast
  - Confirmed direct contributions to Gavi that are pledged under already-signed agreements or otherwise confirmed in writing.
  - Projected investment income
- (b) Allowance for Further Direct Contributions (for the purpose of approving funding decisions): An allowance for further expected direct contributions from existing donors who have not confirmed their pledges for each year, based on current overall contribution levels. The allowance is mandated by the Programme Funding Policy and is important towards enabling programme funding decisions to be made while pledges have yet to be completed for particular years. The allowance assumes that in years where currently confirmed direct contributions total less than the current level, further contributions will bring the total to that level.
- (c) Qualifying Resources: The sum of Assured Resources and the Allowance for Further Direct Contributions (i.e. (a) plus (b) above)
- (d) Existing Programmes: Country programmes (for vaccine and cash-based programmes and investment cases) that have already been approved for support by Gavi, the Partners' Engagement Framework and the Secretariat budget.
- (e) New Requests: Projected demand from country applications that are currently being recommended by the Independent Review Committee for approval.
- (f) Expected Future Requests: Projected demand from countries expected to request Gavi support in the future for the currently approved portfolio of vaccines and cash-based programmes. It does not include any additional vaccines that Gavi may consider for support in the future (such as Malaria).
- (g) Cash and Investments Reserve: The reserve required by the Programme Funding Policy to be maintained at a minimum equalling eight months of expected annual expenditures.

### Rounding:

In text and tables throughout this paper, numbers may be rounded to shorter, significant numbers in order to enhance readability and ease of reference. Individual numbers and the totals they comprise are rounded independently. Consequently, the individual numbers may appear not to sum to their total because of rounding.

## Annex C: Comparison to December 2019 Board Forecast

Note: The version to version forecast difference is a result of (1) Reflecting 2019 actuals as presented in detail in Doc 3a-Financial Update at the 6 May 2020 meeting and (2) Updates presented in this paper.

Cash flow basis, US\$m		2016 - 2020				
		Dec 2019 Forecast	July 2020 Forecast			
		Total	2016-2019: Actuals	2020 Re-Forecast	Total	Difference
Resources	Direct contributions (incl. IPV)	7,469	6,296	1,454	7,750	281
	IFFIm proceeds - excl CEPI	601	401	200	601	0
	AMC proceeds	530	268	74	342	-188
	Investment Income & Others	300	342	25	367	67
	<b>Total Inflows</b>	<b>8,900</b>	<b>7,306</b>	<b>1,753</b>	<b>9,059</b>	<b>159</b> 1.8%
	From decrease/(increase) in Cash & Investment Reserve	303			343	40
	<b>Assured Resources</b>	<b>9,203</b>			<b>9,402</b>	<b>199</b> 2.2%
Allowance for Further Contributions	253				-253	
<b>Qualifying Resources</b>	<b>9,456</b>			<b>9,402</b>	<b>-53</b> -0.6%	
Expenditure	Programmatic	7,544	5,872	1,643	7,515	-29
	Partnership	988	723	297	1,020	32
	Secretariat	513	395	101	496	-17
	<b>Total Expenditure</b>	<b>9,045</b>	<b>6,990</b>	<b>2,040</b>	<b>9,030</b>	<b>-15</b> -0.2%
Available for Future Investments before current decisions		410			372	
Impact of Decisions for consideration now					4.0	
<b>Net Available for Future Investments after current decisions</b>		<b>410</b>			<b>368</b>	

Cash flow basis, US\$m		2021 - 2025				
		Dec 2019 Forecast	July 2020 Forecast			
		Total	2021 Re-forecast	2022-2025 May 2020 Forecast*	Total	Difference
Resources	Direct contributions	37	1,575	6,299	7,874	7,837
	IFFIm proceeds	1,475	442	1,767	2,209	734
	Investment Income & Others	125	25	100	125	0
	<b>Total Inflows</b>	<b>1,637</b>	<b>2,042</b>	<b>8,167</b>	<b>10,208</b>	<b>8,571</b> 523.6%
	From decrease/(increase) in Cash & Investment Reserve	390			332	-58
	<b>Assured Resources</b>	<b>2,027</b>			<b>10,540</b>	<b>8,513</b> 420.0%
	Allowance for Further Contributions	7,451				-7,451
<b>Qualifying Resources</b>	<b>9,478</b>			<b>10,540</b>	<b>1,063</b> 11.2%	
Expenditure	Programmatic	7,175	1,286	5,743	7,029	-147
	Partnership	1,299	323	1,039	1,362	63
	Secretariat	557	111	446	557	0
	Provision for Strategic Investments**	413	83	330	413	0
	<b>Total Expenditure</b>	<b>9,444</b>	<b>1,803</b>	<b>7,558</b>	<b>9,361</b>	<b>-84</b> -0.9%
Available for Future Investments before current decisions		33			1,180	
Impact of Decisions for consideration now					3.0	
<b>Net Available for Future Investments</b>		<b>33</b>			<b>1,177</b>	

See Annex H for further details on direct contributions for 2021-2025 period



## Annex D: Vaccine Scenarios – key assumptions

### Risk Committee: 3 scenarios for Gavi-supported countries

Low / Medium / High assumptions for COVID-19 programmatic impact, as presented to Risk Committee, 08 April 2020

**LOW SEVERITY**

- 3 months acute pandemic period
- 6-12 months recovery with no / little resurgence
- Mild economic downturn and social stability

→ Gavi-supported countries moderately affected

**MEDIUM SEVERITY**

- 6 months acute pandemic period
- 12-24 months recovery with Covid-19 resurgence in some countries
- Medium economic downturn and social stability with some exceptions

→ Gavi-supported countries substantially affected for 1-3 years

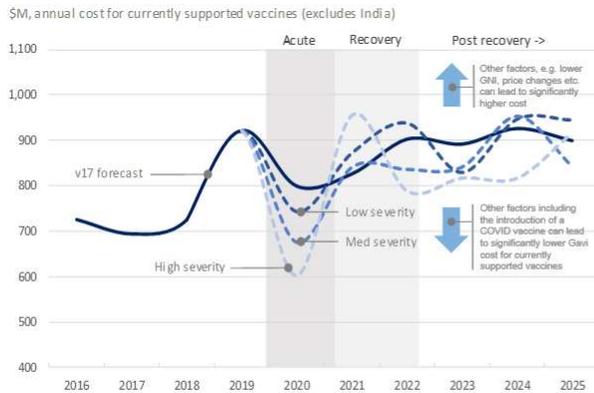
**HIGH SEVERITY**

- 12 months + duration of pandemic
- Slow recovery (2 years+) with frequent Covid-19 resurgence
- Heavy economic downturn with frequent social instability

→ Gavi-supported countries severely affected for at least 3-5 years

Note these were framed as low, medium, high 'impact' – as we start drafting financial scenarios it can become confusing using 'impact' – i.e. a high impact on immunization programmes might not be a high impact on financial forecast. To lessen that potential confusion, have relabelled these here to refer to severity of Covid-19 pandemic.

Scenarios to evolve as more information becomes available and the approach is being detailed



Note 1: Vaccine cost excludes India and VIS  
 All vaccine cost forecast scenarios exclude the impact of changing GNI (on co-financing %) and the impact of the introduction of any new COVID-19 vaccine

**Cost Drivers**

**Medium Severity**  
 Acute phase ~25% reduction in coverage, intros delayed to 2021  
 Recovery phase significant PIRIs / catch-ups assumed for high-priority vaccines, lower level for others  
 Post-recovery coverage returns to pre-COVID levels, new intros continue to be delayed by ~1-2 years

**Low Severity**  
 Acute phase ~15% reduction in coverage, less intro delays  
 Recovery phase smaller PIRIs / catch-ups assumed for all vaccine programs  
 Post-recovery coverage returns to pre-COVID levels, no further significant delays in new intros.

**High Severity**  
 Acute phase ~40% reduction in coverage, more intro delays  
 Recovery phase significant PIRIs / catch-ups assumed for all vaccine programs  
 Post-recovery coverage returns to pre-COVID levels, new intros continue to be delayed by ~1-3 years



## Annex E: Advancement of Funds PPE – as provided by UNICEF SD



United Nations Children's Fund

UNICEF Supply Division

Oceanvej 10-12

2150 Nordhavn

Copenhagen

Denmark

Telephone +45 4533 5500

Facsimile +45 3526 9421

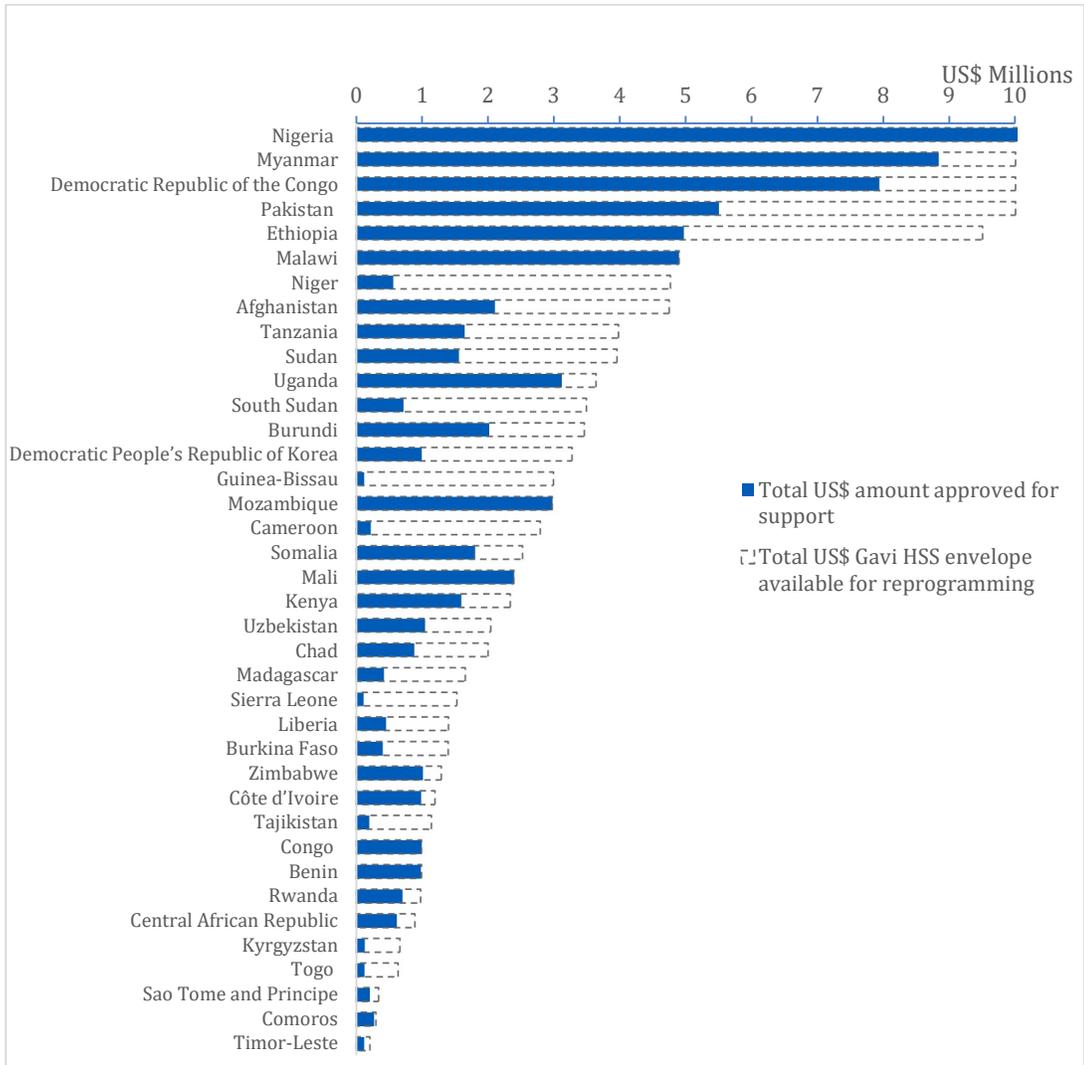
Email [psid@unicef.org](mailto:psid@unicef.org)

[www.unicef.org/supply](http://www.unicef.org/supply)

Funds Received			
Date			Amount USD
17.04.2020			40,000,000
Executed Procurement			
CE	Country	Country Ceiling USD	CE/SOA Value USD
Quarter 1			
Total Q1			-
Quarter 2			
10022313	CHAD		782,227
10022378			115,631
10022399	Comoros		9,126
10022494			43,245
	<b>Total Comoros</b>	<b>195,000</b>	<b>168,002</b>
10022406	Ethiopia		2,155,686
10022329			582,350
10022182	Malawi		91,683
10022183 Rev.2			45,379
10022366 Rev.1			607,559
	<b>Total Malawi</b>	<b>4,039,052</b>	<b>1,326,972</b>
10022369	Mali		897,542
10022332	Mozambique		1,968,969
10022287	Sudan		1,560,493
10022370	Togo		119,395
10022466 Rev.1	Uganda		979,974
10022340			265,838
10022504	Uzbekistan		52,136
10022339			137,185
	<b>Total Uzbekistan</b>	<b>600,000</b>	<b>455,159</b>
Total Q2			10,414,420
Provided Special Contracts			
Description			Amount USD
Total Initial Amount backing Special Contracts			39,184,720
Remaining Amount backing Special Contracts as of 30.06.2020			24,257,308
Total Utilization Q1+Q2			34,671,728
Total Available as of 30.06.2020			5,328,272

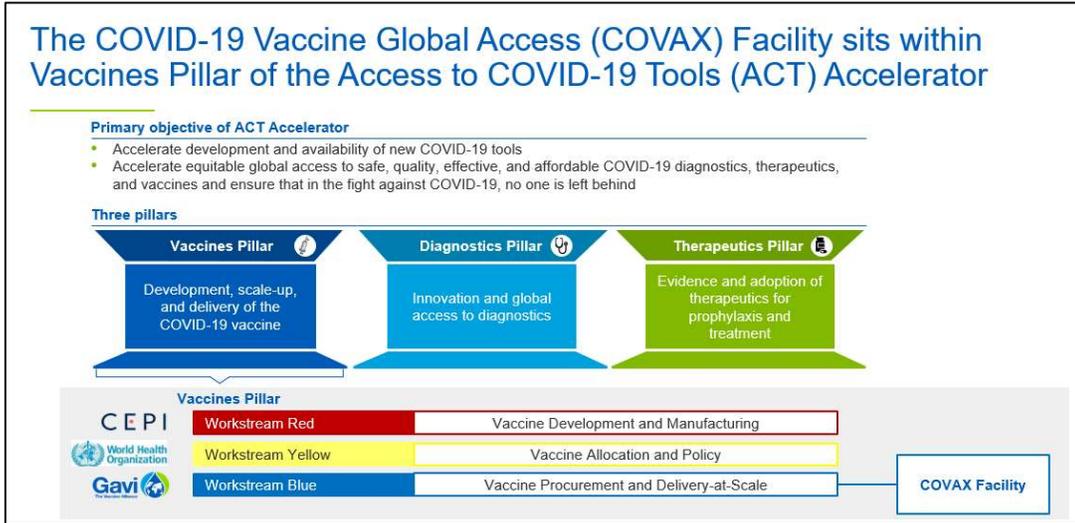


**Annex F: HSS re-programming details, by country, approvals as of 07.07.2020**





## Annex G: Overview of ACT Accelerator & COVAX Facility



### The COVAX Facility – Executive summary

<b>Why?</b>	<ul style="list-style-type: none"> <li><b>The COVID-19 Vaccine Global Access (COVAX) Facility</b> sits within and complements efforts of the Vaccines Pillar of the Access to COVID-19 Tools (ACT) Accelerator</li> <li>The goal is to <b>accelerate equitable access to appropriate, safe and efficacious COVID-19 vaccines</b></li> </ul>
<b>Who?</b>	<ul style="list-style-type: none"> <li><b>All countries are invited to participate in the Facility</b> to secure affordable access to COVID-19 vaccines</li> </ul>
<b>What?</b>	<ul style="list-style-type: none"> <li><b>The Facility is a risk management mechanism</b> – reducing risk for countries not being able to secure access to vaccines and for manufacturers to invest when demand is uncertain</li> </ul>
<b>How?</b>	<ul style="list-style-type: none"> <li><b>The COVAX Facility incentivizes manufacturer</b> product development and scale-up of manufacturing capacity through the assurance of future vaccine procurement</li> </ul>



## Annex H: Details of 2021-2025 Direct Contributions, aligned with 4<sup>th</sup> June 2020 GVS results

US\$ million (note 1)	Total New* Pledges: London 2020
<b><u>Donor Governments and the EC</u></b>	
Australia	207
Burkina Faso	1
Cameroon	1
Canada	444
China	20
Denmark	8
European Commission	336
Finland	3
France	393
Germany	785
Iceland	2
India	15
Ireland	20
Italy	135
Japan	300
Luxembourg	6
Monaco	1
Netherlands	84
Norway	658
Portugal	0
Republic of Korea	30
Russia	10
Qatar	20
Saudi Arabia	-
South Africa	-
Spain	-
Sweden	189
Switzerland	10
UAE / Crown Prince of Abu Dhabi	-
Uganda	1
United Kingdom	1,705
United States	1,160
	-
<b><u>Foundations, Corporations and Organisations</u></b>	
Alwaleed Philanthropies	3
Bill & Melinda Gates Foundation	1,600
Airtel	2
ELMA	2
Laerdal	5
Rockefeller Foundation	5
Unilever	3
UPS	2
<b>Total Pledged to date 2021-2025</b>	<b>8,164</b>
Ajustments for disbursement timing - note 2	(290)
<b>2021-2025: Resources forecast</b>	<b>7,874</b>

\* Contains a small portion of pre-existing pledges made prior to London 2020 event for the period of 2021-2025

Note 1: FX rates as those published in Bloomberg on 4 June 2020 as the spot rate.

Note 2: Adjustment for timing of receipt of funds.