

SUBJECT: FINANCIAL UPDATE, INCLUDING FORECAST

Agenda item: 04

Category: For Decision

Section A: Executive Summary

At its December 2021 meeting, the Gavi Alliance Board reviewed and approved the Financial Forecasts for (i) Gavi (excluding COVAX) for the Strategic Period 2021-2025 (**Gavi 5.0**) and (ii) COVAX Advance Market Commitment (**COVAX AMC**).

This paper presents the updated Financial Forecasts for Gavi 5.0 and COVAX AMC (2020-2023) including the impact of the additional Gavi 5.0 investment priority presented for decision at this Board meeting and the outcome of the April 2022 *Break COVID Now Summit*. Further, **solely for compliance with the Programme Funding Policy and to enable the Secretariat to allot funding**, an initial financial forecast for the 2026-2030 Strategic Period (Gavi 6.0) is presented for the first time based on existing programmes.

While many risks remain elevated and this uncertain environment continues to require close monitoring of assumptions and frequent updates to the forecast as risks may evolve and materialise, at this point there are **no material changes to the approved expenditures in the Gavi 5.0** financial forecast although certain activities have been rephased to reflect 2021 performance. The consequences of implementing key strategic initiatives during a global pandemic may continue to impact 2022 disbursement levels and the phasing of this financial forecast, which the Secretariat considers ambitious but achievable, has been carefully considered as part of the reforecast. The key assumptions underpinning the financial forecast reflect the Secretariat's continued assessment that while routine immunisation programmes are at risk of disruption from the pandemic and implementation of COVID-19 immunisation programmes, implementing countries continue to demonstrate resilience and strong commitment to these programmes.

The future direction of the COVID-19 pandemic is uncertain. While **COVAX's** challenge is to ensure it is ready should any of the WHO pandemic scenarios come to pass, we are at a new juncture in that vaccine supply is readily available. COVAX is adapting and providing differentiated support in line with the national plans, priorities and coverage targets of each AMC country. The COVAX AMC forecast has been updated to reflect the new commitments made at the April 2022 *Break COVID Now Summit* that will enable COVAX to provide urgent delivery support for lower-income countries, ensure dose donations can be shipped and administered, and enable Gavi to launch the Pandemic Vaccine Pool. COVAX is currently 'resizing and rephasing' its portfolio to meet the latest demand context from countries (working closely with the Market-Sensitive Decisions Committee (MSDC)

and Audit and Finance Committee (AFC). Negotiations are currently in progress with manufacturers and the impact of these is not included in this forecast.

As recommended by the AFC, the Gavi Alliance Board is requested to approve:

- the Financial Forecast for Gavi 5.0 for the Strategic Period 2021-2025 including the financial implications of the additional investment priority that the Board will consider at this meeting, and
- the Financial Forecast for COVAX AMC for the period under consideration (2020-2023).

In addition, the Gavi Alliance Board is requested to approve the Finance Forecast for Gavi 6.0 for the Strategic Period 2026-2030 noting the forecast has been prepared for existing programmes only to enable the Secretariat to allot funding in accordance with the Programme Funding Policy and does not prejudice future donor contributions or future investment decisions.

Section B: Financial Update, including Forecast

1. Facts and Data

- 1.1 In this current period of heightened uncertainty, the financial forecast for Gavi 5.0 is presented to the AFC and the Board every 6 months for review and approval to allow the Board to consider the impact of the pandemic on the financial forecast and enable the CEO to allot funding to programmes in accordance with the Programme Funding Policy.
- 1.2 The financial forecast set out in Figure 1 below reflects the full financial portfolio of Gavi by presenting a consolidated overview of Gavi 5.0 and COVAX AMC. The paper is then structured to consider each forecast separately to reflect the current operating model and to provide transparency on the separate resources and programmatic activity of Gavi 5.0 and COVAX AMC.

Figure 1: Consolidated Financial Forecast including COVAX AMC

US\$ million, cash-flow basis

| | GAVI 5.0 (v19.1) | COVAX AMC 2020- 2023 | Consolidated GAVI 5.0 & COVAX AMC |
|---|---------------------|-------------------------|---|
| Assured resources 2021-2025 | 10,146 | 12,265 | 22,411 |
| Allowance for Further Direct Contributions (not yet pledged) | 535 | | 535 |
| Qualifying Resources | 10,681 | 12,265 | 22,946 |
| Forecast Expenditure | 10,434 | 12,066 | 22,499 |
| COVAX: Cost Sharing Backstop | - | 22 | 22 |
| Available for future investments | 247 | 178 | 425 |
| | \$0.2 bn | \$0.2 bn | \$0.4 bn |

- 1.3 After taking into consideration an Allowance for Further Direct Contributions not yet pledged, total Qualifying Resources are US\$ 22.9 billion of which US\$ 10.7 billion relates to Gavi 5.0 and US\$ 12.3 billion to COVAX AMC. Qualifying Resources only include cash resources and excludes the potentially available 1.5 billion COVAX donated doses.
- 1.4 Forecast Expenditure is US\$ 22.5 billion of which US\$ 10.4 billion relates to Gavi 5.0 (including the proposed additional investment of US\$ 50 million being presented to the Board for approval at this meeting). US\$ 12.1 billion relates to COVAX AMC and excludes non-cash donor support from dose-sharing and cost-sharing. US\$ 425 million remains Available for Future Investments, of which US\$ 247 million is available for Gavi 5.0 and US\$ 178 million relates to COVAX AMC.

2. Financial Update, Including Forecast Gavi 5.0 (excluding COVAX)

2.1 Overview of 2021 Financial Performance

Figure 2: Actual 2021 Inflows and Expenditures vs Prior Forecast

| | 2021 | | | |
|-------------------|---|----------|--------------------------|----------------------|
| | Prior Forecast (v19.0) Dec 2021 Board | Variance | Actuals December 2021 | % of the Forecast |
| Total Inflows | 1,923 | (284) | 1,639 | 85% |
| Total Expenditure | 1,955 | (62) | 1,892 | 97% |

- 2.2 2021 Inflows were US\$ 1,639 million, US\$ 284 million lower than the December 2021 Board Forecast principally driven by the USAID 2021 contribution (US\$ 290 million), historically paid in the fourth quarter, received in January 2022, partially offset by higher investment income.

- 2.3 2021 Expenditures were US\$ 1,892 million, US\$ 62 million lower than the December 2021 Board forecast driven by lower disbursements on Health System & Immunisation Strengthening (HSIS) and Partners' Engagement Framework (PEF) largely offset by increased vaccine disbursements driven by the strategic agreement with UNICEF to advance funding to secure 1.6 billion Safety Injection Devices (US\$ 61.9 million).
- 2.4 Planning and implementation of HSS grants and PEF Technical Country Assistance (TCA) was disrupted in some countries given the diversion of capacity and focus on responding to the pandemic, with partners reporting that the high number of competing priorities due to the COVID-19 pandemic have resulted in difficulties to hire staff and provide the required technical assistance.
- 2.5 Further details on 2021 financial performance is set out in **Appendix 1**.
- 2.6 **Financial Forecast Gavi 5.0 (excluding COVAX AMC)**

Figure 3: Forecast of resources to meet expenditures

| US\$ million, cash-flow basis | | 2021-2025 | | |
|--|---------------------------------------|--------------------------------|--|--------------------------------------|
| | Prior Forecast (v19.0) Dec 2021 Board | Change upon updating estimates | Decisions for consideration in June 2022 | New Forecast (v19.1) June 2022 Board |
| Assured Resources (projected) | 10,230 | (83) | 0 | 10,146 |
| Allowance for Further Direct Contributions | 535 | (0) | | 535 |
| Qualifying Resources | 10,764 | (83) | 0 | 10,681 |
| | \$10.8 bn | | | \$10.7 bn |
| Forecast Expenditure | 10,452 | (68) | 50 | 10,434 |
| | \$10.5 bn | | | \$10.4 bn |
| Available for future investments | 312 | (15) | (50) | 247 |
| | \$0.3 bn | | | \$0.2 bn |

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| Decisions for consideration by the Board | | Decision amount |
|--|--|-----------------|
| US\$ million | | |
| Innovation Approach | | 50 |

- 2.7 Compared with the prior forecast approved by the Board in December 2021, **Qualifying Resources** have decreased by US\$ 83 million driven by a reduction in forecast IFFIm (International Financing Facility for Immunisation) proceeds and the impact of foreign exchange movements on non-US dollar denominated pledges that are not yet signed or where the timing of the contribution is not certain (and therefore not available for hedging under the hedging policy). This decrease is partially offset by higher investment returns in 2021. **Forecast Expenditure** (excluding proposed new investments) has decreased slightly by US\$ 68 million driven by lower co-financing waiver approvals and the impact of revising the forecast commencement date (from 2023 to 2024) for Vaccine Investment Strategy (VIS) launches paused as part of Board-approved recalibration of

Gavi 5.0 priorities. Additional information on these key drivers and other forecast changes is set out in **Annex B**.

- 2.8 The financial forecast has also been updated to reflect the impact of the **investment decision** on the innovation approach being considered at the June 2022 Board meeting. The AFC has confirmed that this new investment of up to US\$ 50 million can be approved in accordance with the Programme Funding Policy. This amount is therefore included within the financial forecast recommended by the AFC to the Board for approval.
- 2.9 As set out in the Executive Summary, **many risks remain elevated and the environment is highly uncertain**. The key assumptions underpinning the financial forecast reflect the Secretariat's continued assessment that while routine immunisation programmes are at risk of disruption from the pandemic and implementation of COVID-19 immunisation programmes, implementing countries continue to demonstrate resilience and strong commitment to these programmes. The Secretariat has carefully considered both phasing and total Gavi 5.0 expenditure levels in this context and the forecast reflects a detailed bottom-up assessment based on individual country context and demand. It also takes into account the expected timelines to implement and scale-up new programmes while ensuring robust design, independent review, and completion of a thorough country application process ahead of disbursement decisions. These assumptions will continue to be closely monitored and updated as required, in particular, on release of the 2021 WHO-UNICEF Estimate of National Immunization Coverage (WUENIC) in July 2022.
- 2.10 The key **supply assumptions** underpinning the financial forecast assume no widespread or macro impact to supplier capacity or pricing, based on the outcome of recent tenders and no indications at the time of preparing the forecast of any widespread disruption to suppliers which could impact Gavi's core vaccine programmes. The Secretariat will continue to engage with its procurement partner (UNICEF) to assess the appropriateness of these assumptions, with particular focus on the supply factors at greatest risk of potential disruption from the increased pressure in the global supply chain. To mitigate the risk of syringe shortages, funding and approval to secure full supply for the Gavi 5.0 strategic period has now been agreed with UNICEF. Forecast freight expenditure has increased by US\$ 30 million with the higher freight rates incurred in 2021 projected through to 2023.
- 2.11 The Secretariat is actively engaging with partners to assess and mitigate any impact from the Ukraine/Russia conflict including diversifying yellow fever supply from a key Russia-based manufacturer. In addition, if the impact of the conflict is prolonged, the Secretariat will consider if further cost increases are necessary during the next reforecast cycle, in particular input prices such as energy. In addition, given the extent of the current crisis, there is a risk that donors divert pledges from Gavi to support reconstruction of Ukraine and settlement of refugees. The Alliance is engaging with donors to ensure all Gavi 5.0 and COVAX pledges are honoured.

2.12 Financial Forecast Gavi 6.0

2.13 The Gavi 6.0 financial forecast is presented to comply with the Programme Funding Policy which requires the Secretariat to provide the Board with a projection of Qualifying Resources and Cash Outflows arising (i) during the Defined Period (current year and next two years), and (ii) for the three years subsequent to the Defined Period. This also enables the Board to take into account the longer-term implications when considering the funding of new programmes. Further, the Programme Funding Policy permits the Secretariat to allot funding only within the limits of a Board approved financial forecast, and therefore in order to implement the transition to Multi-Year Approvals, a forecast through to 2027 is required.

2.14 The forecast presented is **not intended to prejudice donor contributions or future Board discussions** on the Gavi 6.0 Strategy or other Strategic Investments and the estimates for 2026-2030 set out below are tentative and do not provide an indication of future resources or total demand

Figure 4: Gavi 6.0 High Level Estimate of Qualifying Resources and Expenditure for 2026-2030*

| Gavi 6.0 2026-2030 | |
|--|----------|
| Forecast v19.1 (June 22 Board) | |
| Assured Resources (projected) | 648 |
| Allowance for further Direct Contributions, not yet pledged (formula-driven, based on existing levels) | 8,157 |
| Qualifying Resources | 8,805 |
| | \$8.8 bn |
| Forecast Expenditure (continuation of Existing Programmes, excluding future decisions on strategy and Strategic Investments) | 7,809 |
| | \$7.8 bn |
| Potential Available for Further Investments | 995 |
| | \$1.0 bn |

*The estimates for 2026-2030 are tentative and presented solely for the purpose of compliance with the Programme Funding Policy. **Qualifying Resources** is presented using a formulaic approach (with the **Allowance for Further Direct Contributions** based on existing contribution levels only). **Forecast Expenditure** pertains to continuation of existing programmes only and excludes future decisions on Strategy and Strategic Investments. Further details are set out in **Annex C**.

2.15 Qualifying Resources have been estimated at US\$ 8.8 billion based on the principles set out in the Programme Funding Policy with Allowance for Future Contributions not yet pledged based on current contribution levels from existing donors (rebased for outliers) and does not prejudice future donor contributions.

- 2.16 The expenditure forecast estimated at US\$ 7.8 billion is presented based on the continuation of existing programmes and applies the current Eligibility and Transition Policy as the Secretariat would only allot funding under multi-year approvals to existing programmes eligible for allotment under current Board approvals at this stage. This does not include, for example, any extension of the Cold Chain Equipment Optimisation Programme or Equity Accelerator Fund into Gavi 6.0, which will need to be approved by the Board as part of Gavi 6.0 strategy development. In addition, as the Board has not yet formally considered the Gavi 6.0 Strategy, the forecast does not include the financial outcome of future Board discussions and does not consider future investment opportunities including malaria, longer term support for COVID-19 vaccines, additional VIS investments, and continuing support of the zero dose agenda which will be reflected in future forecasts once the vision and ambition for Gavi 6.0 has been further developed and agreed.

3. Financial Forecast COVAX AMC

Figure 5: Forecast of resources to meet expenditures

| US\$ million, cash-flow basis | | 2020-2023 | | |
|--|-------------------------------------|--------------------------------------|--------------------------|------------------------------------|
| | Prior Forecast Dec 2021 Board | Change upon updating estimates | Phase III Investments | New Forecast June 2022 Board |
| Qualifying Resources | 10,828 | (253) | 1,690 | 12,265 |
| | \$10.8 bn | (\$0.3 bn) | \$1.7 bn | \$12.3 bn |
| Forecast Expenditure | 10,655 | (80) | 1,490 | 12,066 |
| | \$10.7 bn | (\$0.1 bn) | \$1.5 bn | \$12.1 bn |
| Committed Deals: Cost Sharing Backstop | 79 | (57) | | 22 |
| Available for future investments, including Pandemic Vaccine Pool | 94 | | | 178 |
| | \$0.1 bn | | | \$0.2 bn |

- 3.1 COVAX AMC Qualifying Resources are US\$ 12.3 billion with the April 2022 *Break COVID Now Summit* pledges adding US\$ 1.7 billion to Qualifying Resources. Previously forecast resources saw a US\$ 253 million decrease primarily due to IFFIm's gearing ratio drawdown limit and adverse foreign exchange impact. In addition to the increase in Qualifying Resources, COVAX has also received US\$ 2.1 billion in innovative financing mechanisms provided by the European Investment Bank (EIB) and the United States Development Finance Corporation (DFC), allowing COVAX to further frontload pledges to meet its liquidity needs.
- 3.2 Forecast Expenditure is US\$ 12.1 billion relating to commitments under Advance Purchase Agreements (APAs) including options exercised, COVID-19 delivery support, ancillary costs and operating costs. Compared with the prior forecast, Forecast Expenditure has increased by US\$ 1.4 billion. It includes new programmatic envelopes presented in the 2022 Break COVID Now Investment Opportunity (delivery spending, ancillary costs associated with the donated doses, and the Pandemic

Vaccine Pool launch). A portion of the Pandemic Vaccine Pool amount is held in 'Available for future investments, including Pandemic Vaccine Pool'.

- 3.3 Negotiations are ongoing with COVID-19 manufacturers to reach the right portfolio to mitigate supply-demand risks and the potential impact is not included in this forecast. The risks are further examined in Doc 05, COVAX: *Key Strategic Issues*.
- 3.4 Additional details on COVAX AMC Qualifying Resources and Forecast Expenditure are set out in **Annex D**.

Section C: Actions requested of the Board

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendation to be made to the Programme and Policy Committee and concluded that the recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy;
- b) **Approve** the updated Financial Forecast for the Gavi 5.0 (2021-2025) Strategic Period attached as set out in Section 2 and Annex B to Doc 04;
- c) **Approve** the updated Financial Forecast for COVAX AMC (2020-2023) attached as as set out in Section 3 and Annex D to Doc 04;
- d) **Approve** the Financial Forecast for the Gavi 6.0 (2026-2030) Strategic Period attached as set out in Section 2 and Annex C to Doc 04 noting that only existing programmes have been forecast and the forecast has been prepared to enable the Secretariat to allot funding to these programmes in accordance with the Programme Funding Policy and does not prejudice future donor contributions or future investment decisions.

Annexes

Annex A: Implications/Anticipated impact

Annex B: Financial Forecast Detail Gavi 5.0

Annex C: Financial Forecast Detail Gavi 6.0

Annex D: Financial Forecast Detail COVAX AMC

Additional information available on BoardEffect

Appendix 1 (in May 2022 AFC meeting book): Annex B to Doc 3a(i) *Financial Update on 2021 Actuals*

Appendix 2 (in May 2022 AFC meeting book): Doc 03b *2021 Actuals for Partners Engagement Framework (PEF) and Secretariat Budget*

Appendix 3 (in May 2022 AFC meeting book): Annex G to Doc 3a(i) Vaccine Programme Acronyms