Section A: Executive Summary

Context

- At its meeting of 19 March 2020, the Gavi Alliance Board, in response to the COVID-19 pandemic, encouraged the Alliance to be bold in supporting countries to respond to the pandemic, protect routine immunisation programmes and help accelerate the availability of COVID-19 vaccines in the poorest countries. The Board expressed support for the potential use of the International Finance Facility for Immunisation (IFFIm) in relation to pandemic response while ensuring that any such use does not undermine Gavi’s core business. The Audit and Finance Committee (AFC) is scheduled to meet on 6 May 2020 to provide guidance on assessing any financial implications and risks related to this potential use of IFFIm.
- In this context and following a request from the Kingdom of Norway to the Gavi CEO on 6 April 2020, the Secretariat has explored Norway’s proposal for Gavi to facilitate the urgent funding of the Coalition for Epidemic Preparedness Innovations (“CEPI”) COVID-19 vaccine development efforts, subject to funds being made available by Norway via IFFIm.

Key areas this paper addresses

- What are the criteria for assessing the financial implications and risks to Gavi of using IFFIm to frontload funds to help fast-track affordable COVID-19 vaccines?
- How would such a transaction be executed?
- How does the proposal from Norway meet the criteria outlined in this paper?
- What will be Gavi’s oversight and monitoring of CEPI’s activities?

Conclusions

- The Secretariat has prepared an Assessment Framework outlined in Section B.2 to evaluate donors’ requests and proposed transactions to ensure that they do not have any material adverse impact on Gavi’s finances or operations. Any transaction that meets all the criteria of the Assessment Framework is deemed an Eligible Transaction.
- The Gavi Alliance Board is asked to (a) approve the Assessment Framework as adequate for the Secretariat to respond to donors’ requests and execute as appropriate any Eligible Transaction and (b) approve
support to CEPI by way of the transaction outlined in Section B.3 and any other Eligible Transaction for the benefit of CEPI.

- By approving the Assessment Framework, the Secretariat intends to streamline the execution of other Eligible Transactions for the benefit of CEPI, noting that the Secretariat would request the approval of the Board for any support to another organisation.

**Section B: Facts and Data**

1. **Introduction**

1.1 Gavi is working to support Gavi-supported countries in responding to the pandemic and to accelerate the development, manufacturing and delivery of vaccines against COVID-19 so that safe, effective, and affordable vaccines can be urgently made available to those who need them. Gavi has articulated its immediate response as outlined in Doc 04 – COVID-19: Gavi’s Immediate and Interim Response.

1.2 Gavi is helping fast-track affordable COVID-19 vaccines, that can be rolled out equitably as soon as it is available, including by offering the power of Gavi’s innovative finance instruments, notably IFFIm, to support vaccine development. Once an advance purchase agreement is agreed, we will also make IFFIm available to donors as a way to fund the access work.

1.3 Based on experience from the 2019 CEPI Arrangement and recognising the urgency of developing and delivering a vaccine to combat the current COVID-19 pandemic, the Secretariat has developed an Assessment Framework outlining a set of Criteria under which IFFIm could be leveraged to frontload funds made available for a partner like CEPI through new pledges whilst not having any material adverse impact on Gavi’s finances or operations. This Assessment Framework and its Criteria are outlined in Section B.2.2.

1.4 Norway has committed a total of NOK 2 billion to IFFIm for the period 2021-2030 (approximately US$ 200 million equivalent) to be evaluated under the Assessment Framework to be frontloaded for CEPI’s COVID-19 immediate vaccine development needs (See Annex A to Appendix 1 for details of CEPI’s mandate, programme and intended use of funds).

1.5 CEPI is looking to frontload NOK 2 billion for disbursement in June 2020 given a very ambitious programme to support expeditious development of vaccine candidates as per its needs expressed in its financial forecast.

1.6 In order to implement this request, the Gavi Alliance Board will be requested to approve the Assessment Framework and therefore Gavi’s support for

---

1 Gavi’s statutes include “facilitating the research and development of vaccines of primary interest to the developing world” (Gavi Alliance Statutes Article 2.ii) as one of the means by which Gavi will promote health. The circumstances of this situation are unique and the support outlined in section B.2 is not a precedent for Gavi to support research and development of vaccines, or an adjustment to its strategy.
using IFFIm to frontload designated additional pledges for COVID-19 vaccine development.

1.7 IFFIm’s structure allows IFFIm to fund Gavi programmes and these can be specific to countries (either vaccine support, health systems strengthening or cold chain equipment) or non-specific to address broader immunisation objectives and needs. These latter programmes are defined as “Gavi Non-Country Specific Programmes” and this would include the support proposed to CEPI.

1.8 Therefore, CEPI would be required to make an application for funding to Gavi as a Gavi Non-Country Specific Programme, which would be reviewed and evaluated by an ad hoc review and evaluation group of CEPI’s application for funding.

1.9 In accordance with IFFIm’s requirements, the IFFIm Board will be requested to approve the Eligible Transaction by issuing an Indicative Funding Confirmation to Gavi thereby enabling CEPI to receive the frontloaded IFFIm proceeds of the Norway 2020 pledge (See Annex F to Appendix 1 for the detailed process overview).

1.10 The transaction would be subject to full funding being made available by Norway through IFFIm for the proposed support to CEPI and there being no material impact on Gavi or its existing programmes as well as on funding provided by other Grantors to IFFIm, i.e. the cost associated with executing the transaction should be recovered by Gavi from the Norwegian pledge to support CEPI.

1.11 Supporting CEPI in this way would be cost-neutral to IFFIm and Gavi as associated transaction costs from any Eligible transaction would be recovered from the corresponding grantors.

2. Assessment Framework for evaluating COVID-19 frontloading transactions

2.1 Gavi and the broader development community have acknowledged IFFIm’s unique value as a financing mechanism and the ways in which IFFIm could contribute to Gavi’s health security agenda. As part of its broader engagement in COVID-19 vaccine development, access and delivery, Gavi has the opportunity to collaborate with and make available the IFFIm structure to other global public health organisations working on vaccine development against the global COVID-19 pandemic.

2.2 To ensure that Gavi is not negatively impacted under this extended use of IFFIm’s capabilities, the Secretariat developed the following Assessment Framework to evaluate any proposed transaction that the Secretariat will be requested to consider for accelerating the development of a COVID-19 vaccine. It is proposed that the Secretariat will be responsible to conduct the assessment with the support of relevant bodies, e.g. the IFFIm Board and the World Bank, as appropriate.
i. **Criteria 1**: Each transaction will have to be funded by a new pledge to Gavi to be assigned to IFFIm and designated by the donor as a pledge intended for evaluation under the Assessment Framework for the purpose of accelerating the development of a COVID-19 vaccine (the “Designated Pledge”). The Designated Pledge will have to follow the IFFIm grant agreement format as set out in IFFIm’s Finance Framework Agreement.

ii. **Criteria 2**: Each Designated Pledge will have to be evaluated and assessed as not causing a material adverse impact on IFFIm’s credit rating as delivered by the applicable credit rating agencies.

iii. **Criteria 3**: Each Designated Pledge, taken in isolation from IFFIm’s asset base, can be frontloaded up to a maximum leverage ratio so as not to change in quantum or timing the forecasted disbursement required from IFFIm by Gavi for the funding of its other programmes. This maximum leverage ratio will depend on (i) the applicability of IFFIm’s Grant Payment Condition\(^2\) on the Designated Pledge, (ii) the credit rating of the donor making the Designated Pledge and (iii) any other parameter as recommended by the World Bank in its capacity as IFFIm’s Treasury manager to maintain IFFIm’s credit rating and not adversely impact IFFIm’s resources otherwise designated for the benefit of Gavi.

iv. **Criteria 4**: Each Designated Pledge and each transaction is not expected to have a material adverse impact on IFFIm’s ability to access capital markets and/or enter into derivatives contracts.

v. **Criteria 5**: Each transaction is not expected to have a materially adverse impact on Gavi’s operations.

### 3. Proposed CEPI transaction to be funded by Norway’s Designated Pledge

#### 3.1 The proposed transaction and Norway’s Designated Pledge have been evaluated against the Assessment Framework and satisfy all Criteria to the Secretariat’s satisfaction. Below is the detailed outcome of the Secretariat’s evaluation:

a) **Criteria 1**: The CEPI transaction is to be funded by a new IFFIm pledge from Norway of NOK 2 billion (approximately US$ 200 million equivalent) payable in 10 instalments of NOK 200 million from 2021 to 2030 (the “Norway 2020 pledge”). The Norway 2020 pledge is to follow the

\(^2\) Each grant payment is subject to the condition that if, any one or more of the 71 Gavi-supported or formally Gavi-supported countries is in protracted arrears in meeting any of its IMF financial obligations, that grant payment will automatically be reduced by an amount equal to the aggregate weight of such country(ies) in the reference portfolio. For example, as of the date of this paper, two countries, namely Somalia (1.0% of the reference portfolio) and Sudan (0.5% of the reference portfolio), were in protracted arrears in meeting their IMF financial obligations, leading to a reduction of each grant payment by 1.5%.
standard IFFIm grant agreement format as set out in IFFIm’s Finance Framework Agreement.

b) **Criteria 2**: Norway is currently rated triple-A by Fitch Ratings, Moody’s and Standard & Poor’s, the highest applicable rating, and would therefore not negatively impact IFFIm’s own credit rating. The 2019 CEPI Arrangement funded by Norway in a similar manner did not have any adverse impact on IFFIm’s credit rating; on the other hand, it was positively received by rating agencies.

c) **Criteria 3**: The World Bank, IFFIm’s Treasury Manager, assessed that the Norway 2020 pledge, on which Norway has agreed to waive the Grant Payment Condition, could be frontloaded to circa 99% of its present value (gross of costs) without any material impact on the overall Gavi funding needs from IFFIm (See Annex C to Appendix 1 for the full analysis produced by the World Bank).

d) **Criteria 4**: The World Bank will be mandated to design a transaction structure to frontload the Norway 2020 pledge that does not adversely impact IFFIm’s ability to access the capital markets and/or IFFIm’s ability to enter into derivative contracts. The 2019 CEPI Arrangement transaction did not adversely impact IFFIm’s ability to access the capital markets or its ability to enter into derivative contracts.

e) **Criteria 5**: The Secretariat does not expect the proposed transaction to adversely impact Gavi’s operations. The 2019 CEPI Arrangement did not adversely impact Gavi’s operations.

3.2 CEPI is an international non-profit association, established under Norwegian Law, to provide financing for late stage research and development (R&D) into new vaccines for vaccine preventable diseases of epidemic proportions for which no vaccines are available. On 14 March 2020, CEPI issued a funding call for US$ 2 billion to develop a vaccine against the COVID-19 virus. In 2019 Gavi approved a programme to support CEPI using funds made available by Norway, via IFFIm, in which risks related to the reputational risk, the monitoring and evaluation framework, liabilities from adverse events arising from CEPI’s operations were addressed and mitigated to the satisfaction of the Gavi Board. (see Annex D to Appendix 1 for the full 2019 CEPI Arrangement).

3.3 The IFFIm Board will be requested to approve any Eligible Transaction for funding by IFFIm following the standard review procedure of Non-Country Specific Programmes as outlined in the Procedures Memorandum of the IFFIm Finance Framework Agreement by issuing the corresponding Indicative Funding Confirmation.

3.4 As with any capital market transaction, the frontloading of the Norwegian pledge on behalf of CEPI will incur transaction costs, some of which may

---

3 An international non-profit association or ideell organisasjon is the typical structure for non-profit organisations in Norway.
only be known once the transaction is completed. As such, Norway has agreed in principle to defray the cost of the bond proceeds and Norway agrees to Gavi seeking to recover any incremental costs directly attributable to the IFFIm-CEPI frontloading transaction.

4. CEPI monitoring and oversight

4.1 The CEPI Board is responsible for setting the strategic direction of the organisation and deciding on CEPI investments. Its Board includes representation from the Investors Council, a body composed of all CEPI’s funders.

4.2 The Gavi Board would delegate its review of the application for funding from CEPI to an ad hoc review and evaluation group (which will be constituted by the Secretariat as an independent mechanism) and would not be involved in decisions related to CEPI’s investments.

4.3 Subject to the approval of the CEPI Arrangement by the Gavi Board, Gavi, CEPI and Norway will enter into a grant agreement that will govern how the funds will be disbursed by Gavi to CEPI and detail the reporting and monitoring obligations of CEPI.

4.4 These reporting and monitoring obligations will include an annual report to be provided to the Gavi and IFFIm Boards, complemented by an update report on a semi-annual basis. The annual report would be submitted by the CEPI Secretariat after approval by the CEPI Board and the semi-annual update report would be provided by the CEPI CEO. It is proposed that these reports are timed to be available to the Gavi and IFFIm Boards in time for their consideration at the Gavi and IFFIm semi-annual Board meetings.

4.5 With these reports, CEPI would outline its approved R&D programmes; the funds that have been spent on these approved programmes; R&D outcomes from the approved programmes; and any newly approved programmes. Please see Annex A to Appendix 1 for a description of CEPI, its mandate and programmes.

5. Guidance from the Audit and Finance Committee on the IFFIm COVID arrangement proposal

5.1 The AFC will meet on 6 May 2020 and will be requested to provide guidance on:

a) Whether the Assessment Framework is adequate for the Secretariat to respond to donors’ requests and execute as appropriate any future transaction that would not have any material adverse impact on Gavi’s finances or operations (an “Eligible Transaction”);

b) Whether on the basis of the information made available to the AFC, the proposed CEPI transaction would not have any material adverse impact on Gavi’s finances or operations.
5.2 This paper is written based on the intended confirmation from the AFC on both (a) and (b), but may be supplemented with additional feedback and guidance from the committee following its 6 May 2020 meeting.

Section C: Actions requested of the Board

The Gavi Alliance Board is invited to consider offering the power of Gavi’s innovative finance instruments, notably IFFIm, to support the development of vaccines and, if it deems appropriate, to:

a) **Approve** the Assessment Framework set out in Section B.2 as the basis for determining the Secretariat’s response to donors’ requests to execute any future transaction that would not have any material adverse impact on Gavi’s finances or operations, noting that any transaction that meets all the criteria of the Assessment Framework is deemed an Eligible Transaction;

b) **Approve** Gavi supporting the Coalition for Epidemic Preparedness Innovations (CEPI) by way of the transaction outlined in Section B.3 and any other Eligible Transaction for the benefit of CEPI;

c) **Note** that CEPI will be considered as a Gavi Non-Country Specific Programme consistent with IFFIm’s requirements;

Additional information available on BoardEffect

Appendix 1 (in May 2020 AFC meeting book): Doc 07 IFFIm COVID Arrangement Proposal