

SUBJECT: COVAX: RESOURCE MOBILISATION UPDATE

Agenda item: 07b

Category: For Information

Section A: Summary

Context

To support the COVAX Advance Market Commitment (AMC) goal of frontloading financing to encourage vaccine development and reserve access to support 92 AMC economies, a flexible fundraising approach was adopted to respond to an ever-changing global environment, pandemic trajectory and vaccine landscape. Two successive resource mobilisation rounds were organised within a year, culminating in June 2021 with an event hosted by the Prime Minister of Japan bringing the total amount mobilised to date to US\$ 10.1 billion for the procurement of 1.7 billion vaccine doses. In addition, US\$ 799 million were mobilised to support delivery.

Key lessons from a year of intense uncertainty driven by the pandemic evolution point to the need for upfront cash as a prerequisite for supply security for AMC economies. Despite an impressive mobilisation of support, cash has not been provided fast enough to prioritise COVAX vis a vis suppliers in a very competitive market. With the foreseen evolution of the pandemic, money is needed upfront to mitigate significant uncertainty as we enter 2022.

Questions this paper addresses

To support the implementation of COVAX Strategy (see paper 07a)

- What is the rationale for further resource mobilisation efforts in 2022, the potential scenarios and sources of funding?
- How might Gavi proceed with a campaign with Board members' support to achieve the resources needed for these scenarios?

Conclusions

The COVAX AMC fundraising strategy will focus on guaranteeing the certainty of supply and mitigate risks for AMC economies into 2022 in three ways: a) ensuring the existence of a financially frontloaded Pandemic Vaccine Pool of diversified vaccines to manage risks and uncertainties as we enter a new phase of the pandemic, building on lessons to date, saving additional lives, and supporting lower income economies to get back on a path towards growth, with a particular focus on low income countries; b) funding the ancillary costs of dose donations, ensuring a steady supply of syringes, safety boxes and global freight services; and c) in pursuit of country priorities, supplying funding for essential delivery rollout in

coordination with partners and domestic strategies. The fundraising strategy will be staged to secure a critical base of cash grant financing for Low-Income Countries (LICs) dependent on COVAX supply and build and expand on complementary new innovative mechanisms: dose sharing, cost sharing leveraging further domestic resource mobilisation and multilateral development banks resources, and frontloading instruments (IFFIm and new facilities).

Section B: Facts and Data

Background and initial goals

- 1.1 When the Gavi COVAX AMC was established in June 2020, little was known about the path of the pandemic, how it would evolve and mutate, or the tools that would be developed to fight COVID-19. COVAX was developed acknowledging that uncertainty, to ensure equitable global access to vaccines by making early targeted investments in unlicensed vaccine production capacity.
- 1.2 COVAX was able to deliver initial vaccines to countries less than 39 days after the first doses were administered in December 2020 in high income countries.
- 1.3 With financial support, the COVAX AMC has constructed a diverse portfolio of COVID-19 vaccines sourced from different geographies and technological platforms. 1.7 billion doses have been procured for AMC countries in a highly competitive market.

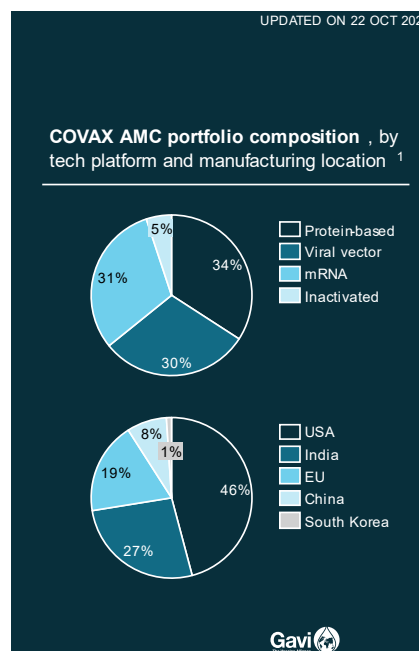
Figure 1: COVAX portfolio

COVAX has used \$10bn to secure access to a diverse portfolio of 1.7 billion doses through direct procurement

Summary of AMC investments (as of 22 October 2021)

Platform	Manufacturer	AMC volumes (2021+2022,Md)
Protein based	SII-Novavax	591
	Novavax	
	Clover	
mRNA	Pfizer/BioNTech	532
	Moderna	
Viral vector	J&J ¹	520
	SII-AstraZeneca	
	AstraZeneca	
Inactivated	Sinopharm	88
	Sinovac	
COVAX Advance Purchase Agreements		1,731

¹ Volumes for expected single-dose regimen vaccine candidates doubled to ensure comparability across vaccines.
² Composition refers to COVAX APA volumes only.



- 1.4 As at 17 November 2021, over 408 million doses have been delivered to 86 AMC countries, keeping the original target of one billion doses for AMC countries by end 2021 in view. As predicted, COVAX vaccines have provided

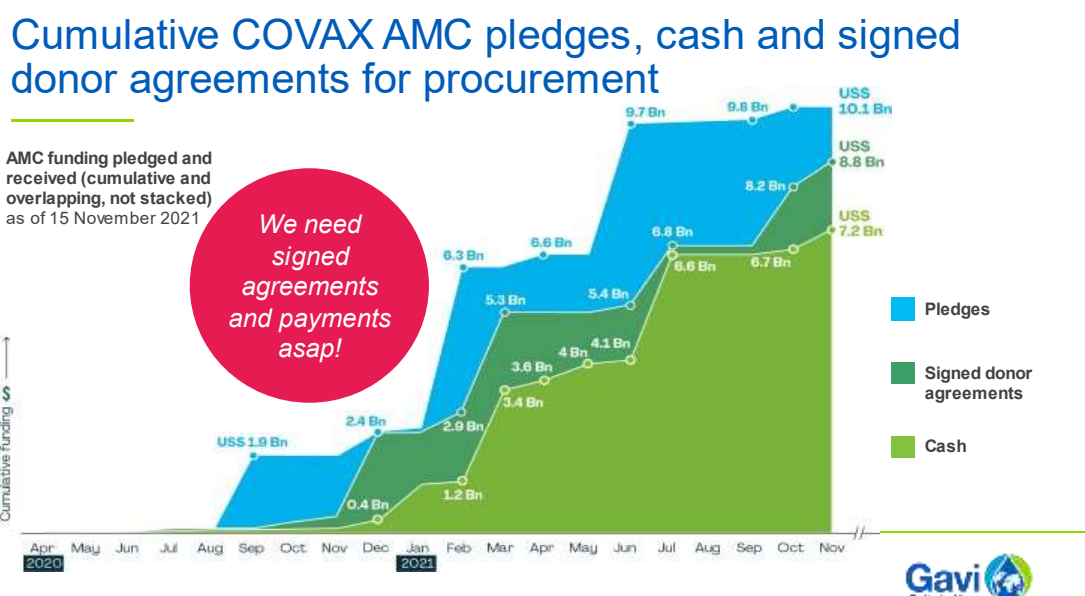
an essential lifeline for lower income countries, with 21 AMC countries receiving at least 80% of their supply from COVAX, and 45 receiving at least 50%.

- 1.5 The US\$ 799 million of delivery funding secured from donors has been critical in helping countries plan and procure additional cold chain equipment and begin their vaccine rollouts – especially as it has proved difficult to unlock other sources of delivery funding swiftly and at scale.

Challenges

- 1.6 Despite those results, a number of challenges have prevented COVAX from delivering on its initial goals as quickly as had been hoped.
- 1.7 High income countries achieved vaccine supply security for their own populations by ordering significantly larger volumes than they required. Orders were completed well in advance of regulatory approvals and by placing finance ‘at risk’ to secure early doses and delivery dates at the front of the queue. Many of those initial deals were concluded by Autumn 2020.
- 1.8 Given the timing and trajectory of funding available for the AMC and the risk profile of the balance sheet, COVAX lacked the initial firepower to compete on a level playing field. By December 2020, 9 months after WHO had declared a COVID-19 a pandemic, COVAX had only received US\$ 400 million of pledged donations as paid-in cash. Our audit and finance rules, agreed by the Board, are set to ensure Gavi cannot place unfunded liabilities onto our balance sheet by signing deals that are not 100% backstopped by cash or irrevocable commitments.

Figure 2: Cumulative COVAX AMC pledges, cash, and signed agreements for procurement



- 1.9 Manufacturing delays and export restrictions have also further delayed the delivery of COVAX-procured AMC doses. Whilst that picture is beginning to improve, the Board is well apprised of the challenges that led to the cessation of deliveries of Covishield vaccines after the first deliveries between February and April 2021 to AMC countries.

Mitigating Strategies

- 1.10 Faced with these challenges over the course of the past 15 months the COVAX AMC has consistently pivoted to alternative, flexible approaches and introduced innovative financing mechanisms to keep our original targets in view.
- 1.11 Responding to the ever-changing global environment and pandemic trajectory, Gavi's successive resource mobilisation efforts have required that pledges are converted rapidly into cash. Where this has happened, payments have supported advance procurement and portfolio diversification to provide choice as well as to mitigate risks against manufacturer performance and related constraints. Efforts to accelerate cash payment are actively encouraged. Since the June 2021 summit, US\$ 1.5 billion additional agreements have been signed and donors have paid US\$ 400 million in cash.
- 1.12 To provide alternatives for donors, the Gavi COVAX AMC has used and designed various mechanisms to frontload pledges and commitments. IFFIm (International Finance Facility for Immunisation) has been a crucial instrument and has been used to convert long-term pledges of several donors into cash in Q1 2021. A new € 240 million European Investment Bank (EIB) frontloading facility was also introduced with a similar goal.
- 1.13 Gavi has also worked with the Multilateral Development Banks (MDBs) to introduce a new 'cost-sharing' mechanism to enable countries to access additional doses in line with their country strategies and on the same terms as those negotiated for donor-funded Advance Purchase Agreements (APAs). In line with Gavi's core model, cost-sharing brings domestic financing to bear on country priorities for coverage and vaccine preference. The early stages of this promising mechanism launched in July 2021 has led to AMC countries using around US\$ 775 million of domestic and MDB financing to purchase 130 million extra doses representing around a 3% boost to their population coverage. Further options are being developed.
- 1.14 Dose donations have been an important complement to APA supply, starting in June 2021, with 470 million doses with confirmations of supply received from donors or already shipped. Of these, 430 million are expected to be for AMC countries this year. Dose donations have proved to be a key supply mitigant during a period when other supply was constrained. The mechanism is building on key allocation, legal and indemnity and liability frameworks built by COVAX and its partners, offering a safe and equitable conduit for countries to donate doses.

- 1.15 However, transaction costs of donations are not negligible for all parties, particularly recipient countries, not least because the supply of donated doses lacks predictability, doses may have short shelf lives, and earmarking can cause delays and a mismatch between supply and demand. To be effective, the predictability of deliveries needs to be increased, to allow COVAX to allocate effectively, and provide doses with longer expiry to help countries and COVAX manage roll out in a timely and efficient manner.

Section C: Gavi COVAX AMC Resource Mobilisation strategy for 2022

- 2.1 As set out in the COVAX strategy paper, the trajectory of the pandemic remains uncertain, and substantial supply and demand risks remain for countries seeking to achieve their vaccination coverage targets in 2022.
- 2.2 Our latest assessment is that - on paper - AMC countries have secured doses through COVAX, bilateral deals and donations and regional arrangements to bring countries towards 70% population coverage by the end of Q2 2022. However in reality, that assessment leaves AMC countries with no margin for new risks: no new manufacturer delays; no changes to the recommended dosing or booster regimes; no delay to planned dose donations and/or no new variants changing the course of the pandemic. History suggests that not planning for some of these risks to materialise would be a mistake.

Goals for the COVAX AMC in 2022

- 2.3 Given these uncertainties, there is a clear role for the COVAX AMC in 2022 to act as a global risk insurance mechanism and to support AMC countries with their individual vaccination coverage goals.
- 2.4 To help achieve this, the proposal is to develop an additional financially-frontloaded Pandemic Vaccine Pool of diversified vaccines to manage risks and uncertainties as we enter a new phase of the pandemic, building on lessons to date, saving additional lives, and supporting lower income economies to get back on a path towards growth, with a particular focus on low-income countries.
- 2.5 With an overall aspiration to support the COVAX 2022 strategy, the key drivers of resource mobilisation scenarios are: a) the size of the vaccine pandemic pool and associated risks to mitigate; b) the price of the vaccine that will eventually be part of the portfolio; c) the ancillary costs related to dose donations; and d) the delivery funding needed to support countries roll out vaccines. Each of these drivers will be considered in turn in the following paragraphs.

Challenges to address

- 2.6 Our 2022 resource mobilisation strategy needs to be right-sized and take account of lessons learned so far. The 2020-2021 vaccine marketplace was characterised by the need to commit funding early to secure timely delivery

of vaccines: for highly demanded vaccines this is expected to remain the case at the end of 2021 and into 2022.

- 2.7 These risks need to be mitigated given the scale of potential downside due to both demand- and supply-side uncertainties. On the demand side, roll-out of booster doses started with wealthy countries with now more than 90 countries that recommend them. As wealthier countries also roll out vaccines for adolescents and paediatric populations pressure on existing supply may increase while simultaneously increasing demand from lower income countries. In addition to boosters and paediatric vaccination, there is also increasing evidence that some vaccines may require additional doses as part of the primary series. For example, WHO SAGE (Strategic Advisory Group of Experts on Immunization) has already recommended a third dose of inactivated virus vaccines as part of the primary series for those aged over 60 years. There may also be demand for new variant-adapted vaccines in a situation where existing vaccines become less effective against new variants. An additional demand side uncertainty is the level of population coverage countries will elect to pursue with the primary series. Figure 3 is illustrative of the magnitude of various potential demand risks. On the supply side, there are a range of risks, many of which are universal and may impact both non-COVAX and COVAX supply. Experience so far has shown significant risk of supply disruption related to export controls, manufacturing scale up, and delays or failure of vaccine candidates to achieve EUL (Emergency Use Listing), which we expect to continue into 2022, such that forecast supply is not available by mid-2022.
- 2.8 The likelihood and impact of demand and supply risks materialising can generate a range of estimates. For the purposes of modelling the vaccine pandemic pool size, three scenarios are proposed which take account of AMC91 countries' requirements for additional doses to achieve effective coverage. The potential extent of these requirements is set out in Figure 3. The currently estimated range to manage demand and supply risks is between 300 million and 900 million doses.

Scenario 1: 300 million doses for the Pandemic Vaccine Pool assuming two thirds of the population at risk and 15% of those who received inactivated virus vaccines require a third dose; assuming manufacturers are able to overcome production issues and vaccines pending EUL can scale up on Q1

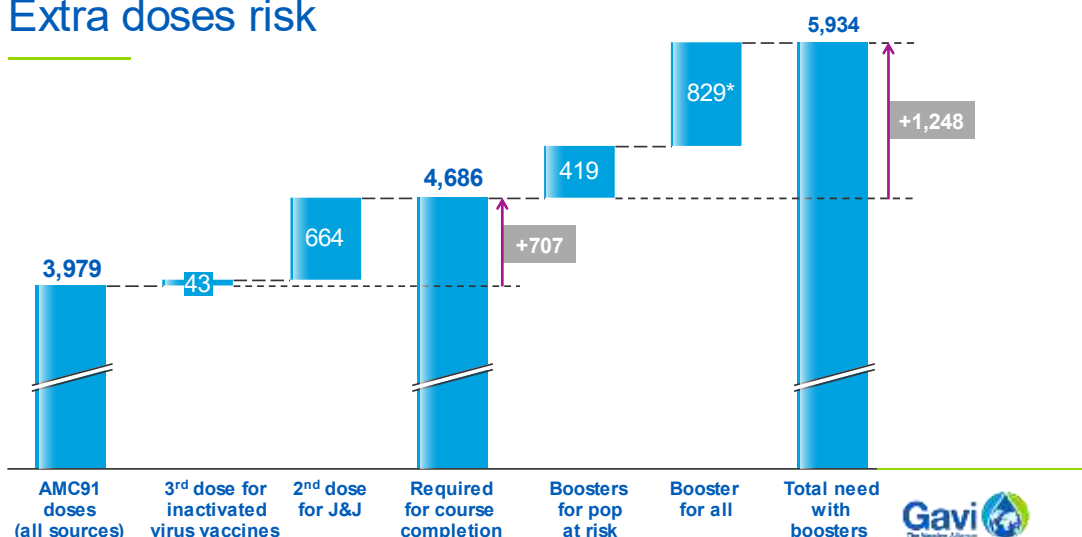
Scenario 2: 600 million doses for the Pandemic Vaccine Pool assuming 100% of boosters for populations at risk, 50% of third dose for recipients of inactivated virus vaccines; assuming supply from ongoing manufacturers stabilises and vaccines pending EUL start supply in Q1; current estimates point to a high likelihood of this scenario

Scenario 3: 900 million doses for the Pandemic Vaccine Pool assuming, 100% of boosters for populations at risk, 100% of third dose for recipients of inactivated virus vaccines, 100% of J&J second dose requirement, and the potential need to mitigate some supply risks.

- 2.9 A further consideration for the Pandemic Vaccine Pool is the need to provide visibility and security of supply for countries. The pandemic pool is an essential supplement to the COVAX portfolio to provide that visibility and security which is particularly important for the most fragile countries and the low-income group so that these countries and COVAX partners can plan for steady increases in coverage. Early visibility is critical to break the cycle of late supply and ensure LICs do not continue to fall behind. COVAX's intention in 2022 is to provide guaranteed supply to a growing number of countries, starting with the most fragile, as well as greater supply security at the aggregate level. Given this, it will remain important to maintain a Pandemic Vaccine Pool that can flexibly serve different needs and mitigate different risks on short notice. This will only be possible with early and predictable funding to lock in doses early.

Figure 3: illustrative calculation of additional doses requirements based on demand-side uncertainties

Extra doses risk

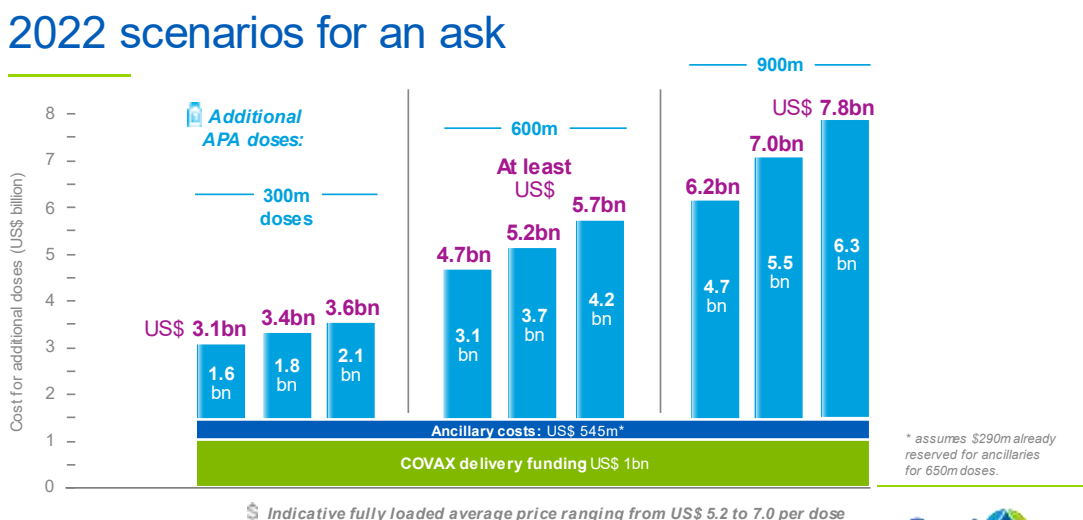


- 2.10 Ancillary costs for dose donations are largely paid through central Gavi COVAX resources. US\$ 290 million has been reserved from existing AMC funds to support the initial 650 million donations. These important costs for syringes, safety boxes, the no fault compensation scheme, freight and insurance are critical for additional dose donations to AMC countries. These costs are estimated at US\$ 545 million in 2022 and must be funded urgently to continue the mechanism.
- 2.11 As we have learnt in 2020 and 2021, delivery funding for in country efforts to manage and administer vaccines has not been released as anticipated, linked to country context and strategies. The hypothesis that Gavi could focus only on advance procurement taking advantage of scale and the Alliance networks, with others stepping up on delivery support and funding at the domestic level, was shown to be false. As such taking learnings from

the US\$ 800 million CDS (COVID-19 Delivery Support) window opened by Gavi for 2021 support, the plan is to expand this to US\$ 1 billion in support for 2022, which includes US\$ 400 million through UNICEF. Coordination will be critical to its success, with estimates of overall funding needs anywhere between US\$ 4 billion and US\$ 8 billion. Gavi's focus will be geographically on Gavi supported countries, largely LICs, that have the largest gaps.

- 2.12 Taken altogether therefore, and assuming the Resource Mobilisation strategy holds delivery funding of US\$1 billion and dose sharing ancillary cost of US\$ 545 million constant, while assuming dynamic scenarios for a pandemic pool of 900 million, 600 million or 300 million doses at average prices of US\$ 5.2/dose or US\$ 7/dose, puts us at potential funding scenarios of low (US\$ 3.1 billion), medium (US\$ 5 billion), and high (US\$ 7.8 billion). The medium scenario is consistent with ACT-A's recently released budget.

Figure 4: Illustrative Resource Mobilisation Scenarios



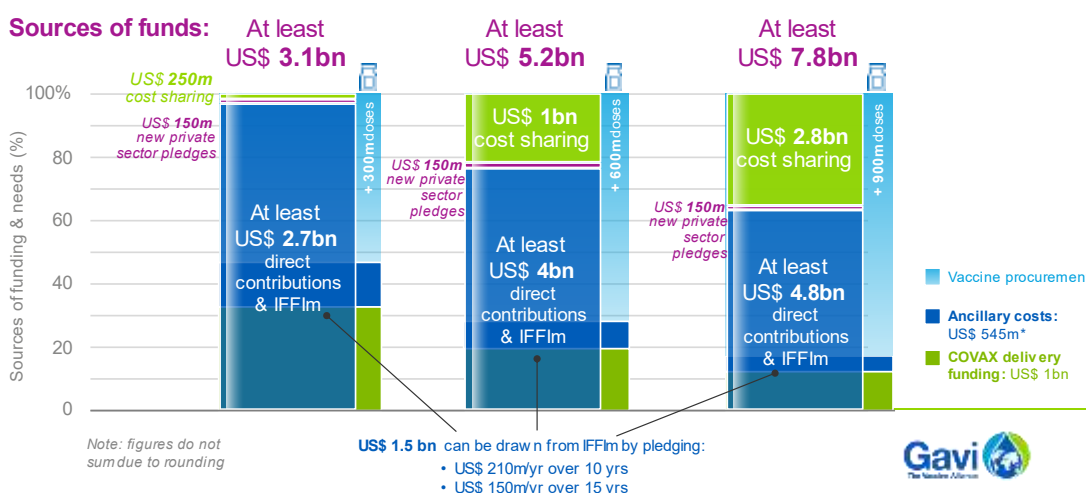
- 2.13 For all scenarios, noting the concentration of risk for low income countries and reliance on COVAX for the majority of their doses, 100 million will be focussed upon those countries. 2022 will progressively focus any additional resources mobilised as grant/ODA capital on LICs and core Gavi supported countries.

Sources of funding and supply

- 2.14 For 2022, the priority will be to build a fundraising strategy actively leveraging a combination of sovereign (including grant funding) and private sector financial commitments, cost sharing and dose sharing mechanisms.

Figure 5: How can the AMC be funded?

How can the AMC be funded?



- 2.15 In order to facilitate resource mobilisation efforts from additional sovereign commitments, and to take advantage of options highlighted in the recent ACT-A Radar Appeal in August 2021, as well as options for vaccines purchases coming in early 2022, to reinforce a dynamic portfolio suitable for country needs, the COVAX AMC will need early access to financing. In addition to IFFIm's ability to frontload, and the EIB's existing instrument, a number of new innovative instruments are being developed with external institutions to facilitate earlier access to government donor finance.
- 2.16 In the context of efforts to frontload and maximise the efficiency of donor funding, COVAX is concluding a second frontloading tranche with EIB for a total of EUR 440 million. In addition, discussions continue with a major sovereign DFI (Development Finance Institution), on a US\$ 1 billion facility (likely in tranches of US\$ 300- 400 million) to turn political leaders' public pledges into immediate capital, predicated on Gavi's historical pledge conversion rate (100%).
- 2.17 Gavi continues to explore structuring options with various banks for a pool of risk capital to allow for early acquisition of vaccines before demand is fully secured by AMC countries ('off-takers') through the cost sharing mechanism. Discussions are centred on a US\$ 2 billion pool of capital, with a 30% 'equity' or risk bearing pool funded by sovereigns, DFIs, and impact capital.
- 2.18 Noting the focus of grants on low income countries in 2022 for the COVAX AMC, cost sharing will be an important way in which countries can access additional doses, particularly those at the upper end of the national income scale in the AMC. Cost sharing nevertheless requires sovereign capital upfront to secure APA options in the portfolio such that optimised terms can be offered to countries that then ultimately reduce the burden on sovereign

capital after APAs, and which are taken up by higher income brackets in the AMC91.

- 2.19 In order to minimise backstopping risks of default on cost sharing using donor funds, however temporary, Gavi is in discussions with a guarantor to guarantee any financial risk that occurs between Gavi committing to a tranche of cost shared doses on behalf of a country, and the final confirmation of the binding purchase order. This maximises efficiencies but is unlikely to fully cover the full liabilities in cost sharing supply offers. In addition, in October 2021, the Audit and Finance Committee, IFFIm donors, and ultimately the IFFIm Board agreed a US\$ 200 million contingent backstop for low probability risks arising through cost sharing from manufacturer delivery delays or failures.
- 2.20 In respect of dose sharing, there remains uncertainty in terms of predictability for countries receiving doses through dose sharing in 2022, in respect of whether these will be committed to AMC or SFP (Self-Financing Participant) countries, the volumes and timing, and the shelf life remaining. This makes dose sharing an increasingly complex equation for country planning, and as of 2022 therefore to make optimal use of the instrument COVAX proposes to revise principles on earmarking, on visibility on dose presentations and regulatory aspects, and on shelf life.
- 2.21 Taking into account a middle scenario which provides sufficient room to mitigate potential uncertainties and risks coming from a likely shortfall of 600 million doses to support the 2022 COVAX AMC strategy, resources of at least US\$ 5 billion would be required. Assuming that some or all of the above innovative financing instruments become operational, on top of IFFIm's capacity to frontload against long dated obligations, sources of capital might be sovereign (70%), cost sharing (30%, with a focus on LMICs), with the private sector engagement strategy aiming to raise US\$ 150 million through direct and platform approaches. If dose donations are provided with sufficient shelf-lives, predictability, and without earmarks, additional donations could also provide an effective supplement.
- 2.22 Noting that the cost sharing decision was time limited, it will be critical to the effectiveness of the COVAX AMC resource mobilisation effort, distribution of available sources of capital, and the significant investment in time and effort both within the Secretariat and with financing partners to make it operational with US\$ 779 million additionally raised, as well as the effort to mitigate residual risks, that the Board agree an extension to the programme for at least 24 months.

COVAX Phase III Campaign: A Hundred Days to Protect the World

- 2.23 As COVAX is engaged in a race to vaccinate the world against COVID19, Gavi will need to secure the needed resources at an unprecedented speed: in order to meet the WHO deadline of 70% coverage by mid-2022, a significant portion of the funds will need to be secured by the end of Q1 2022. In this context, Gavi will launch a fast-paced 100-day campaign to mobilise energies. Starting at year-end 2021 and culminating in Q1 2022 on the day

of a global pledging event, the campaign will build further momentum in support of COVAX's urgent ask and raise global awareness of the opportunities and challenges.

- 2.24 For this, Gavi will actively engage global civil society partners. Regular conference calls with CSOs will ensure alignment and adaptation, as the campaign will need to respond to a fast-changing environment, amidst leadership changes and increased budgetary pressure across a range of donor markets. The 100-day campaign will also build on strong voices from AMC91 economies, who can testify to both the progress on the ground and the urgency to provide further backing to COVAX. Gavi will also collaborate with the Bill & Melinda Gates Foundation and other key global voices.
- 2.25 Building on productive exchanges throughout this year with the incumbent British and Italian chairs, Gavi will be keen to work closely with the 2022 German G7 and Indonesian G20 Presidencies, as well as Slovenia and France's European Council Presidencies and leading Gavi and COVAX donors, to continue to build awareness and support in global forums. The campaign will also be underpinned with a range of public communication activities, including engagement with journalists and media outlets in critical markets, and leveraging digital content and social media platforms.
- 2.26 In these and other engagements, Gavi will coordinate with the ACT-A platform, continuing the strong collaboration already in place through frequent information exchange and aligned messaging. A chief objective will be to ensure consistency and clarity in the asks made to governments and the private sector. As in the past, Gavi will also ensure alignment with other key institutions seeking funding over 2022, such as the Global Fund, CEPI and the Global Financing Facility.

Section D: Actions requested of the Board

The Gavi Alliance Board is invited to:

- a) **Note** that the Secretariat plans continue leveraging the cost sharing mechanism as an important mechanism for countries to access additional doses (see paragraphs 2.18 and 2.19) and extend the cost sharing mechanism until December 2023; and
- b) **Note** the rationale and scenarios for further 2022 resource mobilisation efforts.