

# Implementation and Financing of COVAX: Successes, Challenges and Lessons for the Future

The Committee on Budgets (BUDG) will hold a public hearing with the aim of enabling a better understanding of the implementation and financing of the COVAX initiative, in particular the possibilities for future financing from the EU. This briefing provides background information to this upcoming debate scheduled for 17 May 2022.

## The challenge posed by the global COVID-19 pandemic

The COVID-19 pandemic started in late 2019 and is not over at the time of writing, May 2022. It has unfolded as the largest health crisis of the past century and poses diverse challenges for public health. The disease has caused more than 6.2 million deaths world-wide so far, with more than 508 million cases.<sup>1</sup> The full death toll directly or indirectly linked to the pandemic ('excess mortality') may be as high as 14.9 million between 1 January 2020 and 31 December 2021, according to new estimates from the World Health Organisation.<sup>2</sup>

Initially and before various measures to limit the spread of the disease were taken, cases of severe illness that necessitated treatment with a ventilator were so wide-spread that hospitals in many countries worked at or above their capacity. In order to avoid or limit deaths, the saturation of hospitals and a necessity for 'triage' among patients, the first measures taken were country-wide lockdowns, physical distancing, wearing face masks and disinfection of hands. While they helped to tackle the immediate impact of the pandemic, they took a severe toll on economic and social life across the world.

With the crisis having severe and prolonged effects in many domains, efforts to find a vaccine developed quickly, in particular as it became evident that in order to stop the pandemic, world-wide vaccination coverage would be the most effective way forward. Countries with lower vaccination are more likely to see variants develop.<sup>3</sup> As the pandemic has shown, all variants have easily spread throughout the world despite travel restrictions. Consequently, lower vaccination rates in some countries or world regions are a concern for all. In fact, low vaccination rates delay the "endemic state" of the pandemic.

The first vaccines became available at the end of 2020, with supply ramping up throughout 2021. So far, around 11.3 billion vaccine doses have been administered world-wide and around 58.8% of the world's population have completed the primary series (two vaccinations), but vaccination coverage remains spread

<sup>1</sup> [WHO Coronavirus \(COVID-19\) dashboard](https://covid19.who.int/), accessed 27 April 2022.

<sup>2</sup> <https://www.who.int/data/stories/global-excess-deaths-associated-with-covid-19-january-2020-december-2021>

<sup>3</sup> <https://www.who.int/director-general/speeches/detail/who-director-general-s-opening-remarks-at-the-11th-meeting-of-the-emergency-committee-for-covid-19---11-april-2022>

very unevenly across the world.<sup>4</sup> Rich countries have administered nine times more doses for each inhabitant than low-income countries. Currently, more than 50 countries have reached the goal of vaccinating 70% or more of their population with the fully primary series, but many other are still struggling and have much lower vaccination rates.

### The process of vaccine delivery: challenges for developing countries

Developing countries face a multitude of challenges as regards the roll-out of vaccinations against COVID-19. While they initially included the acquisition of vaccines, i.e. securing the necessary supplies, the absorption capacity of national health care systems has been playing an ever increasing role as vaccines have become more easily available.

The existence of the necessary infrastructure to roll out a large-scale vaccination campaign, reaching populations in remote areas, having qualified personnel to carry out vaccinations and digitised systems to follow the progress of vaccinations can all constitute obstacles to successful vaccination campaigns.

Concrete examples related to the complexities of handling various vaccines in developing countries include the lack of syringes to inject the vaccine, an issue particularly pertinent for the Pfizer vaccine that necessitates specific syringes to extract all product from its container, cold chain logistics for mRNA vaccines that required storage at –70 degrees and too short shelf-lives, especially for the Astra Zeneca vaccine. The latter issue has led to the refusal of millions of doses from countries that simply did not have the logistic capacity to accommodate the doses on their territory. Up to mid-January 2022, an estimated 100 million doses had been rejected.<sup>5</sup>

Another challenge for successful vaccination campaigns is vaccine hesitancy in the population, with information campaigns necessary to counteract this tendency.<sup>6</sup> The Omicron variant, perceived as less dangerous in comparison to earlier variants, has further reduced uptake. Also, other health issues that were neglected because of the pandemic regain importance, for example regular basic vaccinations for children, but also mental health issues.

### Financing and delivering vaccines through COVAX<sup>7</sup>

The COVAX Facility is one of three pillars of the '[Access to COVID-19 tools \(ACT\) Accelerator](#)', alongside the Diagnostics and Therapeutic pillar. The ACT Accelerator is a global initiative to accelerate development, production, and equitable access to COVID-19 tests, treatments and vaccines bringing together governments, scientists, businesses, civil society, international organizations and philanthropists.<sup>8</sup>

COVAX is co-led by the Coalition for Epidemic Preparedness Innovation ([CEPI](#)), [Gavi](#) (the Vaccine Alliance), and the World Health Organisation ([WHO](#)), with [UNICEF](#) and [PAHO](#) (Pan-American Health Organisation) as a key delivery partners. Launched in April 2020 by the WHO, the European Commission, France and the Bill and Melinda Gates Foundation, COVAX aimed at delivering at least 2 billion of vaccine doses in 2021, including 1.3 billion vaccine doses for 92 low and middle-income countries. Due to export restrictions leading to supply shortages, the initial goal was downsized to 1 billion doses, allowing for the vaccination of 20% of the population of 92 (low-income) countries. It also includes a humanitarian buffer to vaccinate

<sup>4</sup> *ibid.*

<sup>5</sup> [https://multimedia.europarl.europa.eu/fr/webstreaming/committee-on-development\\_20220113-1030-COMMITTEE-DEVE](https://multimedia.europarl.europa.eu/fr/webstreaming/committee-on-development_20220113-1030-COMMITTEE-DEVE)

<sup>6</sup> For a detailed overview of challenges related to vaccine absorption, please see Andersen, H. et al., [The Absorption-Capacity Challenge](#), Tony Blair Institute for Global Change and Lawrence J. Ellison Institute for Transformative Medicine of USC, 2021.

<sup>7</sup> This section of the text aims to provide a brief overview of the functioning of the COVAX facility and the COVAX Advanced Market Commitment. For more detail, please consult: Pichon, E., [Understanding COVAX - The EU's role in vaccinating the worlds against Covid-19](#), EPRS, European Parliament, March 2022.

<sup>8</sup> <https://www.who.int/initiatives/act-accelerator>

people facing critical situations such as refugees or people in war zones. To achieve its objectives, COVAX rests upon two distinctive mechanisms: the COVAX Facility and the COVAX Advance Market Commitment (AMC).

### The COVAX Facility

The aim of this facility is to mitigate the lack of incentives for manufacturers to invest in production capabilities before receiving approval from health agencies. It collaborates with manufacturers to provide investments and incentives to allow for the immediate production of vaccines once approval is granted.<sup>9</sup>

In practice, self-financing countries, that is high-income countries, decided how much vaccine they wished to obtain through COVAX and paid a percentage of the vaccine price in advance. This fee is then used to finance production capacities, thereby reducing the risk to manufacturers and thus providing an incentive for speedy development and production of vaccines. This system also enabled richer countries to ensure vaccine delivery, at a time when no one knew which vaccines were going to be successful. It acted as an insurance policy, knowing that COVAX had the most diverse pool of vaccines on trial.

A critical part of this procedure is that higher-income countries participating in the facility will only pay for the cost of the vaccine doses they receive. The vaccine doses for lower-income economies are then procured through the COVAX Advance Market Commitment.

### The COVAX Advance Market Commitment (AMC)

The COVAX Advance Market Commitment is the second segment of COVAX. While the first segment, the COVAX facility, enabled manufacturing readiness, the second segment enables AMC-eligible countries to receive funded vaccines. There are currently [92 AMC-eligible countries](#).

The COVAX AMC is funded through voluntary contributions from states as official development assistance (ODA) as well as private donors and multilateral development and regional banks. Apart from financial contributions, vaccine donations (in-kind contributions) can also help achieve its goals.

To date, it has enabled 42% of the population of low-income countries to be vaccinated with two doses, compared to 58% globally. In January 2022, 34 countries had less than 10% coverage; in April, that number had dropped to 19.<sup>10</sup>

## EU funding for COVAX and the enabling infrastructure

### EU funding for COVAX

Funding for COVAX comes from a variety of donor governments, the European Commission and a number of foundations, corporations and organisations. Among the donors, “[Team Europe](#)” features prominently - it includes 19 EU Member States (+ Monaco) and the Commission, as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

As of 27 April 2022, a total of USD 12.4 billion in funding was available for COVAX, of which USD 542.9 million (approximately EUR 513 million) by the Commission, i.e. various EU programmes, and USD 3196.8 million from a number of EU Member States (headed by Germany - USD 1653.9 million, Sweden - USD 549.2 million

<sup>9</sup> <https://www.gavi.org/vaccineswork/covax-explained>

<sup>10</sup> <https://www.eib.org/en/press/news/president-hoyer-pledges-eur1-billion-new-support-for-covax>

and Italy - USD 442.7 million). Taken together, the contribution of 'Team Europe' amounted to approximately 30% of all worldwide pledges. Table 1 provides some details on EU funding for COVAX.

Regarding financial facilities, a total of USD 2.6 billion was made available, out of which more than USD 1.5 billion, or almost 58%, from the EIB/Team Europe backed facilities, with the EIB President Werner Hoyer pledging an [additional EUR 1 billion from the EIB](#) during the Break COVID Now Summit on 8 April 2022.<sup>11</sup>

**Table 1: Grants, loans and guarantees for COVAX from the EU's budget**

Institution	Instrument	Date of pledge	Sum in EUR million	Purpose	Type of financing
European Commission	11th European Development Fund (final reserves)	<a href="#">12/11/2020</a>	100,3	Support to Gavi Directly for COVAX	Grant
European Commission	NDICI cushion - transferred to Global Challenges People programme	<a href="#">16/02/2021</a>	300	Support to GAVI Directly for COVAX	Grant
European Commission	NDICI top-up	<a href="#">08/04/2022</a>	75	Support to GAVI Directly for COVAX (in-country delivery support)	Grant
<b>Total: grants</b>	<b>11th EDF, NDICI</b>	<b>2020-22</b>	<b>475,3</b>	<b>Support to GAVI Directly for COVAX</b>	<b>Grants</b>
European Investment Bank	European Fund for Sustainable Development (EFSD)	<a href="#">12/2020</a>	400	Directly for COVAX	Guarantee for EIB loan
European Investment Bank	EFSD+	<a href="#">19/02/2021</a>	200	Directly for COVAX	Guarantee for EIB loan
<b>Total guarantees</b>	<b>EFSD and EFSD+</b>	<b>2020-21</b>	<b>600</b>	<b>Directly for COVAX</b>	<b>Guarantees for EIB loans</b>

Source: Authors' compilation based on information received from DG INTPA.

Besides funding for the AMC, vaccines can also be provided through donations. By February 2022, Team Europe had given [408 million doses](#) through the EU vaccine-sharing mechanism, among which 352 million via COVAX.<sup>12</sup> However, the majority of the donations to date have been ad hoc, provided with little notice and short shelf lives. These challenges have made it difficult for the recipient countries to organise the vaccination campaigns and increase the absorption capacity. That is when funding for the enabling infrastructure becomes important.

### Funding for the enabling infrastructure

The EU's response to help partner countries face the pandemic and its consequences is wider than the direct support to COVAX. In total, the EU has pledged EUR 46 billion as an international response to the challenges

<sup>11</sup> All figures cited come from Gavi's COVAX-AMC-Donors Table: <https://www.gavi.org/sites/default/files/covid/covax/COVAX-AMC-Donors-Table.pdf>, table last updated on 27 April 2022, consulted on 28 April 2022.

<sup>12</sup> [https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/safe-covid-19-vaccines-europeans/global-response-coronavirus\\_en](https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response/safe-covid-19-vaccines-europeans/global-response-coronavirus_en)

posed by the COVID-19 pandemic. By April 2021, it [had disbursed EUR 34 billion](#). This disbursement already exceeds by far the initial EUR 20 billion Team Europe support package pledged in spring 2020.

So far the funds have been disbursed as such:

- 1.8 bn€ to address urgent humanitarian needs
- 6.3 bn€ to support and develop health systems
- 25.8 bn€ to mitigate the social and economic consequences of the pandemic.<sup>13</sup>

These contributions go beyond the domain of health care systems. Table 2 provide an overview of amounts that have been spent for enabling infrastructure for health care systems in partner countries.

**Table 2: EU funding for the enabling infrastructure**

Source	Amount in EUR million
MFF 2014-20 bilateral programmes	1300
EU contribution to various global health initiatives - MFF 2014-20: WHO Universal Health Coverage Partnership	150
EU contribution to various global health initiatives: MFF 2014-20: GAVI, the Vaccine Alliance - procurement of vaccines and investing into related logistics chains and infrastructure in low-income countries	200
COVID vaccination delivery support from the humanitarian budget	100
<b>Total</b>	<b>1750</b>

Source: Information from DG INTPA; efforts for neighbourhood countries not included.

In addition, in 2020, EUR 1 billion was mobilized from the Horizon 2020 programme to boost infectious disease research, particularly on COVID-19.

## Conclusion

The COVID-19 pandemic continues to pose a challenge to countries all over the world, and it is clear that further variants of concern may emerge if vaccination levels remain low in parts of the world: no one is safe until everyone is safe.

At the same time, the challenges for developing countries have now shifted away from the availability of vaccines: demand for vaccinations has to some degree waned as the risk associated with COVID-19 is perceived as lower with the Omicron variant. Vaccination rates in low-income countries are still far away from the WHO's goal of a 70% vaccination rate by June 2022. The necessary infrastructure continues to pose challenges for vaccination campaigns, and competing priorities in the domain of health include, but are not limited to, basic immunisation campaigns against other diseases such as measles and the fight against malaria and HIV, issues that may have to be addressed together with COVID-19 in integrated concepts.

<sup>13</sup> [https://ec.europa.eu/international-partnerships/news/team-europe-eu34-billion-disbursed-so-far-tackle-covid-19-partner-countries\\_en](https://ec.europa.eu/international-partnerships/news/team-europe-eu34-billion-disbursed-so-far-tackle-covid-19-partner-countries_en)

In the past two years, 'Team Europe' and other donors have played a key role in helping developing countries to vaccinate their populations through COVAX. These efforts will have to continue and need to include measures to bolster healthcare systems and production capacities for vaccines in low-income countries. Investments to enable countries to face global health challenges may therefore have to be sustained in the long term, also to increase pandemic preparedness in the future.

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