Financing 200 million additional doses of COVID vaccines for third countries
Commission Non-paper

1. Overview

President Von der Leyen, in the State of the Union speech, in the context of the recovery from the pandemic, underlined that the most urgent priority is to speed up global vaccination stressing that less than 1% global doses had been administered in low-income countries and that the Commission will add a donation of 200 million doses by mid-2022. The EU is able to muster a total of EUR 1.3 billion (USD 1.5 billion) by resorting to two sources of financing, namely the Emergency Support Instrument (ESI) and the Neighbourhood, Development and International Cooperation Instrument (NDICI) reinforced by the flexibility instrument to implement this action.

2. Implementation procedure

- **Procurement: procurement procedure**

The Commission intends to procure directly vaccine doses through a procedure with the manufacturers producing mRNA vaccines that have received an accreditation from EMA.

The acquisition cost of the doses and their distribution should not exceed USD 7.5 per dose in order to fit within the envisaged budget of EUR 1.3 billion.

- **Distribution: relying on COVAX's expertise**

Once doses are secured, the Commission will entrust the distribution of doses to COVAX to benefit from its equitable allocation methodology, delivery (via Unicef) and indemnity and liability coverage scheme.

This option entails the least transaction costs and risks for the EU, while direct handling of country allocation, delivery, ensuring indemnity and liability coverage would represent a very significant task for the Commission with high financial and human resource implications and reputational risks, and create a significant parallel distribution mechanism undermining COVAX.

The agreement with COVAX would entail concluding a tripartite agreement, involving the EU, GAVI and the relevant manufacturers, setting out the terms for the donation, including but not limited to distribution, EU visibility, and payment for ancillaries (syringes, diluents, cold boxes etc.). Liability issues would be covered through the no fault compensation scheme that applies to the 92 low and lower middle income countries that are part of the COVAX Advance Market Commitment (AMC). Vaccines can be earmarked to countries with lowest vaccination rates among those 92 AMC countries in line with the SOTEU, while COVAX would still be enabled to reroute vaccines if there are absorption issues. The list of countries can be defined between the Commission and COVAX at the time of finalising the agreement.

3. Financing sources

The package is proposed to be financed from three sources:

- EUR 400 million of appropriations (both assigned revenue – EUR 347 million - and voted appropriations – EUR 65 million) of the Emergency Support Instrument;
- EUR 450 million from the NDICI-Global Europe Emerging Challenges and Priorities cushion;
- EUR 450 million of budgetary reinforcement from the Flexibility instrument (proposed in Draft Amending Budget No 6).

a. Emergency Support Instrument

The Emergency Support Instrument, grounded on Article 122 TFUE, is normally limited to measures within the EU. However, in the specific current circumstances of the COVID pandemic, the EU has reached a high level of vaccination but circulation of virus in countries with low vaccination creates a strong risk of resurgence of the pandemic in the EU (notably through the development of variants). Donating vaccines to low-income countries (or any other set-up pursuing the same objective) will therefore ultimately benefit the Member States in contributing to ending the pandemic by preventing new mutations of the virus and supporting the recovery by avoiding new lockdowns. Supporting vaccination in low vaccination countries is therefore directly serving the purpose for which ESI was reactivated in 2020.

Since its reactivation in 2020, the ESI appropriations amounted to EUR 3.7 billion and consisted of voted budget appropriations (EUR 2.92 billion) and Member States contributions (R0 - EUR 750 million).

Out of that, the appropriations still available in 2021 are:

- Voted budget: EUR 65 million;
- Member States contribution (R0): EUR 347 million out of which a maximum of EUR 30 million may have to be set aside for concluding a potential eighth Advanced Purchase Agreement.

The overall amount that should be available in ESI to finance the above-mentioned package is EUR 400 million.

b. NDICI Cushion

The NDICI-Global Europe Emerging Challenges and Priorities cushion was voted with EUR 1 408 million in commitment appropriations and EUR 264 million in payment appropriations for Budget 2021. Under Article 30, 1 (a) of the Financial Regulation, the Commission has transferred EUR 400 million in commitment appropriations from the cushion for the Special measure for COVAX, approved by the NDICI-GE Committee on 31/08. This measure corresponds to the pledge (EUR 500 million, of which EUR 200 million in guarantees) announced by the Commission at the G7 in February 2021 to step up COVID-19 vaccination efforts in third countries. Another EUR 370 million has been transferred from the cushion for refugees in Turkey in line with the non-paper entitled 'Meeting the needs of refugees from the Syria conflict and beyond 2020-2024' transmitted to the European Parliament and the Council on 1st July 2021, which sets out the proposal for continuation of 'humanitarian – development nexus' support for Syrian refugees.

This leaves a balance of EUR 638 million in commitment appropriations in the NDICI Global Europe cushion until the end of the current year. The Commission proposes to mobilise EUR 450 million in commitment appropriations of the current balance, thereby reducing the cushion to EUR 188 million in 2021. A number of outstanding needs are currently under discussion for the 2021 remainder of the Cushion notably the obligation to distribute at least 1 billion from it to different priorities of the thematic pillar under recital 70 of the NDICI-GE Regulation.

c. Reinforcement of the NDICI by the Flexibility Instrument

In order to reach the total required amount of EUR 1.3 billion, and in the absence of margins and further redeployments in Heading 6, the remaining EUR 450 million is proposed to be mobilised from the Flexibility instrument in Draft Amending Budget No 6.
Together with the proposed mobilisation of EUR 20 million for UCPM in DAB 6, this would bring the total amount mobilised in 2021 to EUR 762 million, leaving EUR 209 million available.