

# GAVI Alliance Executive Committee Meeting

9 February 2010

Teleconference

## FINAL Minutes<sup>1</sup>

Finding a quorum of members present<sup>2</sup>, the meeting commenced at 17.07 Geneva time. The Committee reviewed the minutes of its meeting on 30 September 2009 and of the resolution approved by unanimous consent on 11 December 2009 (Docs #1a and 1b in the committee pack).

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### DECISION

**The GAVI Alliance Executive Committee:**

Approved the minutes from 30 September 2009 and 11 December 2009.

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## 1 GAVI Alliance Strategy

Helen Evans, Deputy CEO delivered a report on the development of the GAVI Alliance Strategy 2011-2015 (Doc #2). She outlined the steps taken since the November board meeting and the process going forward, referencing the fact that the Board stated that this should be a 'light touch' process and not a 'deep dive'. Discussion followed:

- Board ownership of the strategy was reaffirmed. It was further noted that the Secretariat had either conducted or plans to conduct extensive consultations with a wide range of stakeholders including with individual board members and the Executive Committee, Programme and Policy Committee ("PPC"), and Audit and Finance Committee.
- All in all the Executive Committee was pleased with the work performed since the last board meeting and focused its comments on a number of content areas as follows:
  - The strategy must contain appropriately sourced baseline data targets to guarantee that the strategy is measurable and achievable. The Secretariat confirmed that key performance indicators and targets will be part and parcel of the working drafts for board member review.
  - The strategy must take into account for the inevitable tension between GAVI's aspiration of rapid vaccine introduction and countries' ability to finance existing vaccines. In particular, fiscal sustainability is at the core of the co-financing work that the PPC will shortly review. The question of whether the term "financial sustainability" applied to both donor support and financing by countries themselves versus just to domestic financing was discussed.
  - The strategy must account for lessons learnt during GAVI's first two phases of activity. Though the final evaluation report of GAVI Phase 2 will not be complete before significant progress on the strategy must be made, the consultants carrying

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<sup>1</sup> Binding Resolutions approved by the GAVI Alliance Executive Committee are listed in Attachment A. Decisions within the text of the minutes are non-binding, "plain English" actions agreed by the Committee.

<sup>2</sup> Participants are listed in Attachment B.

out the evaluation are preparing an “emerging themes” paper to inform the brainstorming session at the April retreat.

- The Secretariat is preparing a context paper to accompany the draft strategy document.
- The Committee felt that GAVI's market shaping aspirations to improve vaccine pricing are a core part of its model. However, there were different opinions among committee members as to whether this should be incorporated into the mission, listed as a strategic goal, or included as an operating principle. It was noted that the strategy should include that through market impact and innovative business models, GAVI seeks to render vaccines more affordable to poor countries, thus promoting equity.
- The strategy should avoid jargon and explicitly define vague terms.
- Committee members agreed to give additional feedback in writing to the Secretariat and communicate with each other between meetings to develop ongoing dialogue.

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## DECISION

### The GAVI Alliance Executive Committee:

- 1.1 Endorsed the Secretariat's approach and plan for strategy development.

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## 2 AMC Firm Order Commitment

Wayne Berson, Audit and Finance Committee Chair and Tony Dutson, Chief Accounting Officer requested the Executive Committee to approve budgets to underwrite the Advance Market Commitment (“AMC”) supply agreements (Doc #3). In order for the procurement agency to enter into supply agreements, funds covering the entire guaranteed amount of the agreements must be delivered into the agent's procurement account to assure the financing. Discussion followed:

- Mr. Berson noted that a duly delegated subcommittee of the Audit and Finance Committee had reviewed the financial implications of the budget request including the implication to GAVI's cash flows and balance sheet of escrowing funds.
- It was acknowledged that the procurement agency normally required the entire amount underwriting a procurement to be sent in cash to the procurement account. Though GAVI is prepared to escrow its half of the AMC funding in cash, the AMC treasury manager will only release the AMC donors portion under predefined circumstances. Since the procurement agreements with industry must be signed in the near future, substitute finance would need to be escrowed. As a result, the Secretariat negotiated a promissory note with the procurement agency which guaranteed the funding that would require GAVI to transfer only its portion of the funding in cash immediately.
- Many of the Executive Committee members, whilst satisfied with the size of the budget, were displeased with the terms of the financing arrangements and, in particular, the accounting treatment and cash flow implications of the AMC donors portion of the funding since it could result in less financial flexibility for GAVI going forward. Also, it would result in GAVI taking a disproportionate amount of the financing risk in the deal.

- However, Executive Committee members also recognised the consequences of not entering into the promissory note in that the AMC procurement agreements would not be signed between the procurement agency and industry resulting in a potentially open-ended delay in the implementation of the AMC.
- In sum, the Executive Committee strongly protested the negotiation positions of the procurement agency and the treasury manager that were forcing the Committee to enter into a disadvantageous agreement financially in order to implement an important project supporting GAVI's mission. The Committee further noted that GAVI was not inclined to enter into similarly suboptimal arrangements in the future, causing it to consider alternative procurement options.

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## **DECISION**

**The GAVI Alliance Executive Committee, whilst noting the disadvantageous financial structure of the financial arrangements:**

- 2.1 Approved a budget and financial commitment of up to US\$ 189 million for the AMC which will be provided into the procurement agency's procurement bank account prior to the signature of the supply agreements.
- 2.2 Approved GAVI to enter into a Promissory Note for the AMC donor portion of the Firm Order Commitment in an amount of up to US\$ 94.5 million, backed by the treasury manager's guarantee of the AMC donor payments for the AMC.

*Ashutosh Garg and George Wellde voted against these decisions.*

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## **3 Executive Committee Workplan**

The Chair noted that a major take away from the initial round of committee self-assessments was the value of committees agreeing to annual workplans in order to organise their activities. A draft plan was presented for consideration and endorsement (Doc #4). There was no discussion.

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## **DECISION**

**The GAVI Alliance Executive Committee:**

- 3.1 Endorsed the Executive Committee workplan as presented.

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## **4 Any Other Business**

- Julian Lob-Levyt, CEO noted that as a result of changes in eligibility criteria and vaccine pricing, new financial projections will be sent to the Audit and Finance Committee for information.

There being no further business, the meeting was adjourned.

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Mr Kevin Klock, Assistant Secretary

**Attachment A**

**Resolutions Approved by the GAVI Alliance Executive Committee**

**RESOLUTION ONE**

**1. Approval of Outstanding Minutes**

The GAVI Alliance Executive Committee:

Approved the minutes of its meeting on 30 September 2009.

Approved the minutes of the resolution approved by unanimous consent on 11 December 2009.

**RESOLUTION TWO**

**2. AMC Firm Order Commitment**

The GAVI Alliance Executive Committee:

Approved a programme budget and financial commitment on behalf of the GAVI Alliance to fund the Pneumococcal Advance Market Commitment Firm Order Commitment in an amount of up to US\$ 189 million.

Authorised GAVI to enter into a Promissory Note for the AMC donor portion of the Firm Order Commitment in an amount of up to US\$ 94.5 million from the AMC Firm Order Commitment programme budget.

*Ashutosh Garg and George Welde voted against these resolutions.*

**Attachment B**

**Participants**

**Committee Members**

- Jaime Sepulveda, Chair
- Wayne Berson
- Armin Fidler
- Ashutosh Garg
- Tatul Hakobyan
- Gloria Steele
- George Wellde
- Suresh Jadhav (non-voting member serving at the pleasure of the Chair)
- Daisy Mafubelu (non-voting member serving at the pleasure of the Chair)
- Julian Lob-Levyt (non-voting)

**GAVI Secretariat**

- Tony Dutson
- Helen Evans
- Kevin Klock
- Minzi Lam
- Stephen Nurse-Findlay
- Nina Schwalbe