

Hosting transition update

Background

In November 2007, the Board mandated the GAVI Secretariat to prepare and implement a change management plan. A series of principles underpinned this decision, key among them that the plan should: “ensure that the identity and values of the United Nations, as well as best practice from the private and public sectors, be carried forward into the new administrative arrangements.” The Board also requested WHO, UNICEF and the GAVI Secretariat to continue maximum possible collaboration for GAVI Secretariat staff and consultant operations at the country level (e.g. security and travel arrangements). The Board agreed with Management that staff concerns are of central importance and that the process should allow for ample dialogue. The first priority is to ensure that the work can continue uninterrupted during this period, so that GAVI can fulfill its mission.

In order to move forward with the hosting transition, decisions are needed on funding for the new staff pension scheme and the implementation of administrative policies, presented in detail below. The document also provides an update on progress on the hosting transition, since the 26 February board meeting.

Provisions for the new staff pension scheme

The PriceWaterhouseCoopers' final report on hosting from October 2007 outlined a comparison of pension benefits between the United Nations Joint Staff Pension Fund (UNJSPF), a defined benefits scheme, and the current GAVI Foundation scheme, a defined contribution scheme. The UNJSPF represents income replacement proportionate to salary earned while in service, and social security coverage. 7.9% is paid by the staff member and 15.8% is paid by the organisation. Any sum set aside as 'compensation' will be vested in the new scheme. Various options are being explored on future pension arrangements, and the pros and cons of each are being discussed at a workshop (involving pension specialists and the Global Fund for AIDS, Tuberculosis and Malaria). These options are discussed in greater detail below, in the update section.

In order to move ahead with any of the pension scheme options, however, GAVI will need to set aside a lump-sum payment of US\$ 1.5 million, so that staff can retain both employers' and employees' contributions accumulated through the United Nations Joint Pension Fund. The justification is that it is not a choice for staff to move into the new system, and UNJSPF rules do not allow the employer's contribution¹ to be transferred. The Global Fund for AIDS, Tuberculosis and Malaria has already held discussions with the UNJSPF. The UNJSPF has refused to pay back the employer's contribution into any new scheme. The Global Fund Board has therefore decided to set aside a lump sum for this purpose.

Phasing in new administrative platforms

¹ If an employee separates before 5 years, they receive only the employee's contribution and 3.25% compound interest. The employer's element is retained by the UNJFP. After five years the employee receives the same (own contribution + interest) , plus an additional 10% of the amount for every year of contributory service after the fifth year, up to a maximum of double the participant's contributions, with compound interest..

A new financial management system (Axapta) is in the process of being rolled out. It will be in place by end-September 2008, and a full programme of staff training has been organised in order to migrate into the new system. This is very encouraging, as a system has to be up and running well ahead of the Secretariat's transition out of UNICEF's financial management system (PROMS).

GAVI will also need to ensure that a variety of new policies and administrative systems are in place and staff adequately trained. The design of GAVI's new platforms will draw on best practice from the UN and governments, Fund and Foundation, and others. The aim is to design systems that are simple to administer and modest in scope. Procurement is being looked at with a view to competitiveness, value for money, low transition cost and quality of service.

Specific recommendations on a number of new platforms, including travel and procurement, will be developed by end-July 2008. The Board is requested to agree that these be implemented in advance of the 1 Jan 2009 'go live' date, at the discretion of management, and overseen by the Governance Implementation Committee. This will ensure that the Secretariat does not experience end-year systems collapse.

Update on the Administrative Hosting Transition

International status – Host State Act

The application for international status was filed 3 April 2008. In early June, the Executive Secretary and advisers met with the Swiss authorities in Bern. The authorities remarked favorably on GAVI's work and noted that the Foreign Affairs Department intended to support GAVI's application. This legislation is new, so the authorities are still developing internal guidelines about how to categorize organisations. The authorities are leaning towards classifying GAVI as an "other international organisation" but were open to GAVI's views in support of its request for international institution status. The latter guarantees a package of benefits, 'organisations' status seems to entail an individual negotiation over each element of the privileges and immunities package available per the Host State Act. Whatever the ultimate outcome is, the Foreign Affairs Department explained that there should be no impact on timing of the final decision. Either classification may result in a grant of all privileges and immunities available under the Host State Act.

The Foreign Affairs Department has to consult with several ministries and agencies, including tax authorities, before giving its final approval. This will take time, and negotiation with the Swiss Federal Council cannot start until this is completed. GAVI received an assurance that should this go beyond 31 December 2008 that the Foreign Affairs Department would help to arrange necessary interim arrangements to ensure uninterrupted operation for the GAVI Secretariat while completing the formalities associated with entering into an agreement with the Swiss Federal Council's formally conferring status on GAVI.

Staff consultation and empowerment

Staff involvement is a high priority. The Change Management Director has not only personally consulted with over 70 individual staff members, created a task team culture, where staff have a sense of ownership of the process but has also ensured there have been multiple formal and informal opportunities for staff to ask questions on processes in large and small fora. The consultations have been translated into a 'questions and answers' document, which will be revised as needed. A communications team is refining internal communications (electronic and other). But the focus has been on verbal communication and management engagement.

The consultative phase continues. A key challenge will be to assimilate inputs from motivated and empowered staff, to discuss these and to translate them into viable decisions, or to be clear about the reasons about why something is not viable. This will ensure that decisions taken truly reflect the diversity and strengths of staff backgrounds and perspectives. This will strengthen the links between individual values and goals and ultimate organisational objectives. This is being addressed through various mechanisms which are currently being worked on between now and October. These include:

- a) staff representatives from both offices are on the change management committee
- b) staff representation is being looked at as part of the PWC study. It will look at mechanisms for channelling views, ideas and potential grievances post Jan 2009.
- c) Using the UNICEF staff association for Geneva staff on UNICEF contracts until end 2008.

Task Teams

Several practically focused task teams (c. 7-10 staff members each) have been set up: on human resources; communications; travel and procurement; premises and security; pensions, tax and health insurance; finance and a 'creative ideas' team. These teams are formulating options, taking the best practices from both private and public sectors, and will propose recommendations to an internal change management committee. A Secretariat Steering Committee will finally review all recommendations. The Steering Committee will work closely with the Governance Implementation Committee, and take its advice about which decisions need to be referred to the Board in October.

Human Resources

As requested by the Board, specialist help (Price Waterhouse Coopers) has been enlisted to help define a comprehensive human resources strategic framework. This draws on best practice in the UN, and elsewhere, to create a framework that will meet the needs of a cutting edge, dynamic, fast moving organisation. In addition, Peter McDonald joins us as Human Resources Director imminently, and he will drive the creation of a single HR framework. To define a new compensation structure and package, a survey has been initiated, to gather information from comparator organisations. The sample of comparators contains a blend of public and private sector organisations, foundations, multilaterals and bilaterals. In order to get at least six organisations for the survey, about 16 were approached, in both Geneva and Washington. This data will be shared with the Global Fund.

The HR Task Team has reviewed two policy areas and has made recommendations ahead of the survey results. The first is on an Employee Assistance Programme, which is already in place in the Washington office. This is intended to improve staff well being and help cope with change and stress. On flexible working, it is relatively simple to put in place guidelines that will do much to improve staff's working environment. This is being designed in order to meet business need, but also to recognise that staff has a wide range of individual circumstances.

Key dates are: compensation structure to be defined by mid August, and draft HR policy guidelines to be available by end Sept. The Governance Implementation Committee will be kept fully updated on the HR work, and its guidance will be sought at key points.

Pensions, Tax and Health Insurance

The Task Team is using specialist advisers, and is working closely with the THE GLOBAL FUND, most recently at a workshop on 13 June. A range of options is being explored: joining existing schemes, joining the Global Fund scheme, a hybrid arrangement. The principles being used are: to be as fair as possible to both employer and employee (striving for pension portability, in recognition

that that GAVI will be part of a career path, not a lifetime employer), and to keep transition costs for both as low as possible. Whatever arrangement is determined, a decision needs to be taken on compensation. The four main options being explored are to:

1. Keep the Swiss 3 pillars regime. This is provided for current GAVI Foundation employees, 6.5% is paid by the staff member, and 13% is paid by the organisation. It might be possible to draft a similar structure for all staff. The first pillar is AVS, the Swiss compulsory social security regime, the 2nd pillar (similar to a regular pension fund) can be operated through a collective fund, like Swisslife, or built up under GAVI ownership. The 3rd pillar is generally an individual savings (like the system of additional voluntary contributions which is possible in some countries). This can also be also explored.
2. Create a common pension fund with the Global Fund. This option may reduce costs for both organisations but will generate a certain number of constraints. The two organisations will have to operate in exactly the same way on a number of issues, e.g the same HR regime, same tax principles, etc.
3. Build GAVI Foundation's own pension fund (under Swiss law or not). Decision would need to be made about whether to follow Swiss regulations, or to create an "offshore" plan as the Global Fund is doing.
4. Build an individual retirement plan (similar to 401(k) or 3rd pillar). Money is saved in specific bank/cash accounts for staff's retirement. This is not strictly speaking a pension, but more like a retirement contribution

Tax is more difficult to clarify until we know the outcome of the institutional institution/organisation application. There will be issues for staff resident in France, whatever the outcome. Negotiations can take place with French tax authorities only when this outcome is know. We are working closely with the Global Fund on this issue also.

With regard to health insurance, GAVI is working closely with the Global Fund. A scheme that can combine the features of the UN existing scheme, and the Foundation scheme, with an option to consider an offshore scheme (like the Global Fund scheme) are all being explored.

Partnerships

Relations with partners are critical. A highly successful workshop has already been held with UNICEF to discuss the partnership, and practicalities. The workshop focused primarily on the nature of the working relationship in a number of areas, including programmes and policy, but it also explored what UNICEF can practically continue to do as an Alliance partner in terms of assistance to staff and consultants. UNICEF generously extended all staff contracts until 31 Dec 2008, allowing time to develop the HR policies and strategy. A similar workshop is also planned with WHO and the World Bank, and possibly others.

There is close ongoing dialogue with the Global Fund for AIDS, TB and Malaria on a variety of issues including: the Human Resources regime; Pensions, Tax and Health Insurance; Administrative platforms (travel etc) and in country security. Both sides see great benefit from trying to develop, as far as possible, similar systems

Hosting budget:

At the November 28th Board meeting in Cape Town, the Boards approved a budget envelope of up to \$5m to cover costs related to the transition of part of the GAVI Secretariat from UNICEF to a Swiss Foundation. To date, provisions totaling \$4.3 million have been made to cover the following items:

- Implementation of the GAVI financial management system (AXAPTA) in Geneva (1.9m)
- Legal, HR, and Change Management work, including the recruitment of three short-term specialist in these areas (2.0m)
- Recruitment and 2008 salaries of staff who will perform functions that were previously performed by UNICEF (\$0.4m)