

The Vaccine Fund Governance Issues for Phase 2

TO: Vaccine Fund Board Members
FROM: Julian Lob-Levyt
DATE: 7 June 2005

GAVI and The Vaccine Fund are now evolving from a start-up, five-year initiative to a more mature and long-lasting enterprise – phase 2. This transition, as well as the convergence of the management of GAVI and The Vaccine Fund, provides us an opportunity to reflect on our current operations and evaluate whether we have the adequate governance structures in place to fulfill our mission.

In addition, with a changing US regulatory environment and increased public scrutiny of charitable organizations there is a need to move from 'good enough' to 'best practice' governance. After all, governance is about leadership; for the Vaccine Fund to help lead the way to reach the Millennium Development Goals, its governance needs to be of the highest standards.

At this meeting the Board will not be requested to make any final decisions. In this time of transition, we need to be flexible. In addition, if the International Finance Facility for Immunization (IFFIm) materializes, this will have implications on governance requirements. Therefore at this meeting, the Board is asked to provide guidance to the Executive Committee, as it further examines the governance options and prepares a proposal for decision at the next meeting of the Vaccine Fund Board.

Following are some of the main issues to be discussed in Tromsø:

- In phase 2 it is likely that the Vaccine Fund will be called upon for more rigorous oversight of the GAVI financial affairs. In addition, the Vaccine Fund will likely be asked to increase its efforts to pursue innovative business models on behalf of the alliance. Does the Board have the right mix of skills to meet expectations in these areas?
- Best practice would dictate more frequent Board meetings, ie, more than two per year. However, Board members have indicated they would find participation difficult if meetings were to multiply, especially if they are also serving on sub-committees. How frequently should the Board meet? If meeting frequency does not increase, more responsibilities will likely need to be assumed by the Executive Committee.
- Four Board subcommittees have previously been created: Audit, Investment, Development and Nominations. Are these the most appropriate committees? Are all of these committees needed, or are there other committees that would be needed?
- Furthermore, none of the sub-committees have the required three members. Since sub-committees need to be populated with sitting Board members, new Board members need to be recruited. Current bylaws indicate a maximum of 30 members. How many members should the Board should have?
- While continuity is an asset to any Board, complacency is a risk if members sit for too long. Current Vaccine Fund bylaws do not require term limits. Should this be revisited?
- Striving for best practice governance may require additional staff in GAVI/VF management to support Board and sub-committee activities. What does the Board think should be the right balance between appropriate governance and increased transaction costs?

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Governance in Phase 2

Lisa Jacobs, Senior Governance Officer

Jocelyn S. Davis, Vaccine Fund Executive Committee member

In the beginning...

- GAVI - the Alliance
 - Committed to immunization of children in the world's poorest countries
 - Building on established infrastructure with innovation
 - Public-private partnership
- The Vaccine Fund Mission
 - Raise additional resources
 - Advocate
 - Financial manager for the Alliance
 - Flexible, innovative, accountable



Vaccine Fund Governance Present State

- Board
 - Committed to immunization and innovation
 - Prominent members, limited availability; focus on advocacy and public fundraising
 - Has met approximately 1x annually
- Executive Committee
 - Executive and ongoing operating decisions
 - Evolving role as VF moves from project to organization with longer planning horizon
 - Has met approximately 4x annually

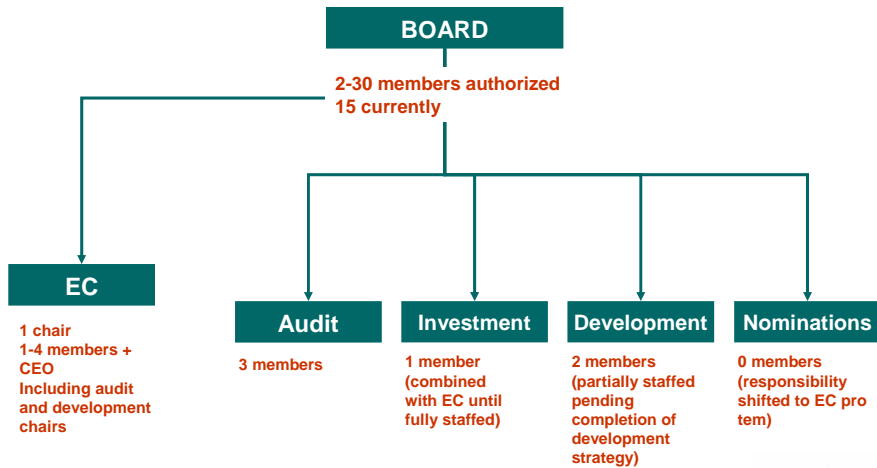


Governance Transition

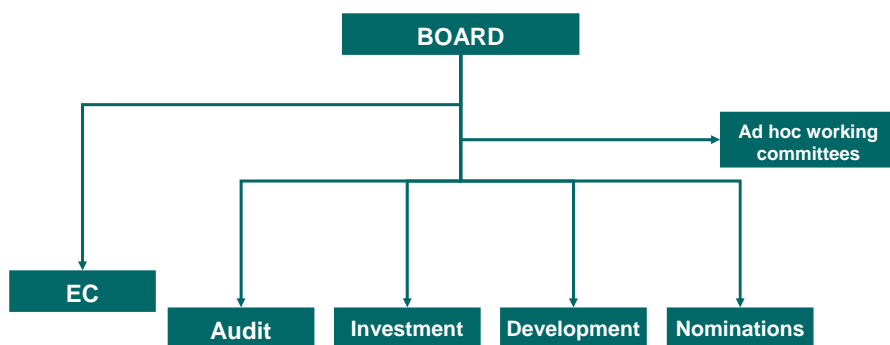
- Phase 2 and convergence offer opportunity
- Changes in US regulatory environment for governing boards; increased public scrutiny of charities
- Public/private partnership development
- IFFIm
- MDG attainment
- Improving working systems



Current Board Structure



Board Structure, Phase 2



Governance Phase 2 Considerations

- Optimize board size for subject matter expertise (?) and cost/benefit/value
- Populate board as necessary based on VF/GAVI strategic plan
- Adopt governance best practices
- Deliver business best practices to the partnership
- Eliminate redundancy in partnership governance
- Develop, adopt committee charters; renew annually
- Minimize number of standing committees
- Meet regularly
- Focus on strategy, policy and management oversight
- Executive Committee: between meeting actions, board management, nominations, confidential matters



Discussion

