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### CEO Report to the GAVI Alliance Board

June 2009

I was honoured to join Minister Richard Sezibera at the Ruhuha Health Centre, 90 minutes drive from the Rwandan capital of Kigali, in late April to witness the start of the first national roll-out of pneumococcal vaccine in a developing country. And next month in the Italian city of Lecce, G8 Finance Ministers are expected to formally mark the commercial launch of the pilot Advanced Market Commitment which promises to accelerate delivery of a new improved more powerful pneumococcal vaccine – one specifically manufactured to counter the strains most prevalent in GAVI countries.

It is hard to underestimate the impact that new **pneumococcal vaccines** could have on the health of children – pneumococcal is the single biggest vaccine-preventable killer of children under five. Pneumonia alone kills more children than malaria, tuberculosis and HIV together. The potential is there, particularly as part of an integrated strategy to tackle pneumonia, for many hundreds of thousands of lives to be saved between now and 2015, making a major contribution to the Millennium Development Goal 4.

A new chapter in GAVI's history is unfolding. Our early success in expanding the use of old vaccines, previously missing from the immunisation schedules of the world's poorest countries, and repackaging them into combination products to improve efficiency in delivery, is now being supplemented by the introduction of promising new powerful vaccines. It is generational change. Our focus is shifting from the underused to the new.

Another significant step along the same path also came in April with the very welcome news of the WHO Strategic Advisory Group of Experts' new recommendation on **rotavirus vaccine**, which paves the way for the vaccine's roll-out in Africa and Asia. Together with the decisions of Honduras, Guyana and Nicaragua to introduce rotavirus vaccine this year – closely following its introduction in Bolivia late 2008 – there is strong momentum developing behind the new vaccines. Rotavirus and pneumococcal vaccines represent the two big opportunities to reach MDG4. Bluntly put, without these vaccines MDG4 will not be met.

These technical advances are being matched by an unprecedented expansion of country demand for our programmes. GAVI's country-driven business model is working. We are now seeing early signs of significant market-shaping impact with a dramatic price shift anticipated for the now popular 5-in-1 pentavalent vaccine (DTP + Hib + Hep B) as new manufacturers come on stream.

It is a paradox that success is blossoming at a time of global crisis. The depth and magnitude of the **global economic recession** is no longer a subject of speculation and dread. It is a new reality. The World Bank predicts that an additional 46 million people in developing countries will be thrown into poverty this year alone and that, without targeted specific interventions, up to 2.8 million additional children will die before 2105 as a result of this economic crisis.

I applaud the efforts of Margaret Chan and others to remind political leaders, of developed and developing countries alike, of the sorry lessons from past recessions where disinvestment in health not only resulted in unnecessary death and suffering, but also undermined the systems and service delivery platforms that we are struggling to rebuild today.

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We do not yet know how hard the crisis will bite in developing countries. But we do know that the global economy will rebound eventually. We share a responsibility to protect the most vulnerable, particularly women and children. GAVI's best contribution for the moment is to maintain the momentum and back countries to expand their immunisation services, take advantage of the extraordinary power of new vaccines and strengthen their delivery systems. This is the surest way to ensure that when recovery comes, they have a healthy and productive population on which to build their economic future. For most developing countries nothing can be more important for future economic and social development than protecting their human resources.

At a time when pennies are being pinched, efficiencies sought and returns on investment are coming under greater scrutiny, we need to redouble our efforts to demonstrate the value of our business, the impact that we have had and the extraordinary potential that lies immediately before us. This will require us to muster the full capacity of all in the GAVI Alliance in an **invigorated advocacy and communications** effort.

I am confident that, building on the very positive atmosphere of the recent board retreat, management and the board can together chart a way forward through these testing financial times. To inform our choices, we have **explored potential savings** in the workplan and the Secretariat's administrative expenses and considered how we might even better work with others to find efficiencies through common programmes. We have also undertaken a detailed analysis of vaccine expenditures and started the work of identifying their relative cost effectiveness. What is already clear is that the four vaccines that have the biggest impact on mortality account for 80 per cent of our expenditure. This analysis will inform our discussions at this board and is presented in the resource mobilisation paper.

This work provides the baseline against which new resource mobilisation efforts can be targeted. At the board meeting we will reflect on the challenge to raise the finances needed to meet rising country demand. I remain confident that we can convince donors, old and new alike, of the value of increasing their contributions to GAVI but it will require a more strategic approach to **resource mobilisation**.

Some tough choices may lie ahead. If we do not raise sufficient resources, by 2011 we will have to make significant programme reductions, as a result children will not survive to their fifth birthdays.

What is very clear is that there can be no sense of business as usual. Just as companies and governments in every corner of the world have had to review their operations and recast their plans, so must the aid and development business. We need to sharpen our approaches and **identify efficiencies** at every level: within our own administrations and processes; in country immunisation and health programmes; and within the global health aid architecture. In this report I set out some ideas which I look forward to discussing when we meet next month in Washington DC.

We will be gathering in the US capital as the new Obama administration's policy positions on international development assistance are emerging. The US has been a strong supporter of GAVI since the beginning and the 2009 contribution of US\$ 75 million signed into law by the President in March brings total support to over US\$ 500 million. As the largest economy in the world, the US contributions to GAVI are a critical part of our financial foundation. We will be looking to the US to help lead the stepped-up donor support we will need from 2011 to meet escalating country demand. The signs are positive: President Obama's commitment this month to a **new US global**

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**health initiative** valued at US\$ 63 billion over six years is to be underpinned by a new, comprehensive and integrated global health policy. I believe this to be a significant development which bodes very well for GAVI's future. We have watched President Obama champion education and nutrition during the election campaign and now he has clearly committed to global health.

The President specifically referenced maternal and child health and the need for new resources to combat the diseases that kill more than 25,000 children each day. In addition, the US Center for Strategic and International Studies has formed a new high level commission, featuring a number of GAVI Alliance members, which will work over this year to develop recommendations for the US government on global health policy.

The interest of many of the world's leaders in health – particularly the renewed commitments to women's and children's health and the focus on strengthening health service delivery systems – continues to be strong. This month the High Level Task Force on Innovative Financing for Health Systems, co-chaired by UK Prime Minister Brown and World Bank President Zoellick meets in Paris at the invitation of the French Government. During the World Health Assembly, the UN Secretary-General will preside over another event on innovative financing – which will feature GAVI, IFFIm and the AMC – and he has also invited GAVI to a high level event on the MDGs in New York in the coming weeks. These are all encouraging developments that provide the Alliance the political space to advocate for the funding needed to deliver new vaccine technologies to the world's poorest countries.

### Programme update:

I have already mentioned the hugely significant event in Rwanda with the first introduction of **pneumococcal vaccine** in the developing world. The Gambia will follow next month and we know that other countries are lining up, awaiting the new pneumococcal conjugate vaccines. New manufacturers are bidding for the next UNICEF procurement tender for the popular pentavalent vaccine and we can expect that the increased competition will see prices fall, just as they did with tetravalent, once there were competitive suppliers. This is the kind of market-shaping impact that GAVI set out to achieve. The biggest driver of our funding needs will remain the **high cost of vaccines**. We must continue to find better ways to make them more affordable and sooner

The Accelerated Vaccine Introduction initiative that is taking forward the excellent work of the pneumoADIP, the Hib Initiative and the RotaADIP is operational and will lead the way in facilitating countries to make evidence-based decisions on new vaccines. Importantly, the management of the AVI is fully integrated into the Secretariat.

Country demand for GAVI programmes continues to grow. The **Independent Review Committee (IRC)** is scheduled to meet from 30 May and will consider more than 20 new country proposals. It will be the first meeting of the newly combined IRCs, bringing us closer to meeting the vision of integrating health systems support with immunisation services support, and further streamlining GAVI's operations. At the request of the Programme and Policy Committee, the Secretariat is organising an evaluation of the IRC process to make sure that it continues to be fit for purpose and sufficiently robust.

In looking towards increased efficiency in country immunisation programmes, we have commissioned a **vaccine utilisation study** that is scheduled to complete its initial work at the end

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of June. With UNICEF and WHO support, the independent study team will compare, country by country, the doses supplied with the doses administered for Hep B-tetavalent and pentavalent vaccines up to 2007. The resulting data will help identify where opportunities exist to improve efficiency of vaccine use, as well as good practices. Countries can then learn from each other how to minimise vaccine wastage.

The mid-term evaluation of our **health system strengthening (HSS)** programme is proceeding well and the results will be considered by the November Board meeting, together with the outcome of a tracking study of HSS fund use in selected countries. In the meantime, we continue to receive positive feedback from implementing countries and from donors on the GAVI HSS programme. In Nepal GAVI funds are upgrading the skills of more than 2000 village health workers in pneumonia and diarrhoea management, helping Nepal to stay on track to significantly reduce child mortality and reach MDG4. In Ethiopia, the government has jointly programmed assistance from GAVI, the Global Fund and the World Bank to train 35,000 community health workers. Countries are also demonstrating innovative ways of managing the support. For example, in the Democratic Republic of the Congo the government recognised its weak administrative capacity in the health sector and recruited an international business consulting firm to manage the programme funds.

GAVI's HSS approach – focused on providing flexible funds to address bottlenecks in service delivery – continues to attract attention. The Task Force on Innovative Finance for Health Systems has charged WHO Director-General Margaret Chan with facilitating discussions between GAVI, the Global Fund to fight AIDS, Tuberculosis and Malaria and the World Bank. The discussions are aimed at developing better coordination of programmes between the three agencies and, drawing from the best experiences of each agency's approach, to design a better vehicle for channelling additional funds to support health system development in countries. Such co-programming may well be a significant part of the efficiency gain that is needed at the global level. The PPC and Executive Committee have deliberated on these exciting developments, culminating in a Board paper to seed our discussion in Washington.

In 2008, GAVI introduced a **co-financing** policy, a unique approach to encourage country ownership of immunisation programmes and to help the drive towards the long-term goal of financial sustainability.

By the end of 2008, most countries had fully paid their co-financing requirements, with many exceeding the required minimum. Of the 33 countries that were scheduled to co-finance, only three remain in default and we are working with partners to resolve issues with these countries.

The allocation of their own limited resources to co-financing shows an impressive level of ownership of the programs by these governments and that these vaccines are a priority intervention in the GAVI countries. The commitment of countries – including some of the poorest in the world – to co-financing vaccines is a commendable endorsement of the value of the programmes.

The **Transparency and Accountability Policy** for cash-based support took effect in January. In addition to strengthening GAVI's own internal capacity to identify and mitigate risks, we now require a financial management assessment (FMA) for all new cash-based programmes. The goal of the FMA is to help countries select the best mechanism and systems to channel and manage GAVI funds. Working with our in-country partners it will also allow GAVI to better understand public financial management systems in the health sector, and respond proactively to potential problems.

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The ideal financing mechanism will be one that balances the need for effective programme implementation with reduction of fiduciary risk; it will rely to the greatest extent possible on a country's own public financial management systems.

We have developed a new tool that draws upon best practices from other public financial management assessments, but allows GAVI to tailor our approach in each country and maintain our signature flexibility. I would like to thank our partners, particularly WHO and the World Bank, for the central role they played in designing the framework tool and communicating with countries.

To date, GAVI has conducted four FMAs: in southern Sudan, Senegal, Bangladesh and Eritrea. In Mozambique, we will rely on a recent assessment undertaken by the government and development partners as part of the International Health Partnership (IHP) country compact. In each case, GAVI has customised its approach to accommodate the country's own unique situation. For example, in southern Sudan we waived the major diagnostic work of the FMA, given the underdevelopment of public financial management systems and capacity in the health sector. Instead, we worked with the Ministry of Health and its development partners to find a pragmatic solution that will allow the HSS programme to move forward, while limiting financial risk. WHO and UNICEF will play a strong oversight role in the management of southern Sudan's HSS funds. In Senegal, by comparison, the FMA exercise confirmed that public financial management systems in the health sector are very strong, and validated the government's proposed mechanism. We expect that final aide memoirs will be signed for these initial countries and funds will begin to flow by end-June 2009.

We have also made advances in strengthening our approaches to data and thinking around performance-based incentives. I would particularly like to thank the individuals who contributed their time and expertise to the independent data task team which rigorously reviewed data approaches based on lessons from the **Immunisation Services Support (ISS)** rewards programme. ISS is clearly a pathfinder and a very successful programme that uses innovative means to extend immunisation services to an unprecedented number of children. We are now working with WHO, UNICEF and others to improve the process of estimating immunisation coverage rates. As well, we are continuing to dig deeper into data reliability in a small number of countries where there are significant data disparities between different assessments. The experience of ISS is an important input to the creation of the next generation of performance-based programmes for health and development. In the shorter term, we are revising the ISS programme this year and will present options for discussion in November.

On the finance side, the past six months have seen the final pieces of the legal arrangements put together to support the pilot **Advance Market Commitment (AMC)** for pneumococcal vaccine. I welcome the recent decision of the World Bank's Board of Directors to provide the financial platform for the AMC through inclusion of the US\$ 1.5 billion donor commitments on the Bank's balance sheet. We look forward to the AMC "going live" in the coming weeks.

The financial crisis has not dampened investor interest in **IFFIm's vaccine bonds** with particularly successful issuances in the Japanese market. I especially thank IFFIm Board Chair, Alan Gillespie, who continues to reach out to new donors and sell IFFIm's success around the globe. Alan spoke at a high level forum with UN Secretary-General Ban Ki-moon at the Financing for Development conference in Doha late last year and will again address ministers and officials in a meeting associated with the World Health Assembly in Geneva this month. His tireless campaigning and the

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compelling case he presents for the IFFIm's public-private partnership and GAVI's added value is invaluable.

### **Governance and management:**

I recall the concerns of Board members this time last year and expect the Board will be relieved to see a somewhat lighter set of agenda papers for this meeting. In big part, this is a consequence of the new **Board committee system**. While it is still bedding down, my sense is that the governance changes that we went through last year are already demonstrating their worth – we are building a more efficient, effective and accountable governing structure. There will continue to be changes as we gain experience and seek out the right balance of delegation. I am not convinced that we have it right yet and we particularly need to consider the relative merit of setting up board sub-committees versus assigning responsibility to an Alliance partner agency or to the Secretariat.

The **Board retreat** in Rotterdam was successful in building camaraderie and a great sense of common purpose between new Board members. There was interest expressed in repeating the exercise more regularly. My takeaway from Rotterdam was that we have much to be proud of in our public private partnership model but we need to reaffirm the added value of the partnership and better recognise the individual roles, responsibilities and strengths of Alliance partners – while not being afraid to challenge the status quo. I also heard a firm commitment to work within integrated approaches to disease control and health systems and to look harder at vaccine costs which are the key to sustainability.

I am personally enjoying and finding productive my more direct engagement with individual Board members. The visit that I made with Gustavo Gonzalez-Canali to the European Commission headquarters was a particularly powerful example and I am also grateful for the offer of the Yemeni Minister, Abdulkarim Yehia Rasae, to work with me in outreach to potential partners in the Middle East. Spain's offer to host a GAVI meeting in the first half of 2010, to coincide with its presidency of the European Union, is most welcome. As I have noted, we are going to need to draw on the full breadth and depth of talent on the Board to help the Secretariat and Alliance partners secure the resources to meet the country appetite for GAVI programmes.

I would also like to express my gratitude to the Government of Vietnam for their kind offer to host the GAVI Alliance **Partner's Meeting** scheduled for 19 and 20 November, immediately following our Board meeting in Hanoi. This is the first partner's meeting since the successful one we held in Delhi in 2005. Our expectations are that it will reaffirm our strength as an Alliance, and help us to find creative ways to move forward together.

It was a tribute to the management team and Secretariat staff that the end of year **administrative transition** went smoothly. The new payroll system that merged former UNICEF staff and GAVI Foundation staff payrolls into one was successfully run in January and has proved to be robust. All staff have now signed on to new GAVI Alliance contracts. We only lost four staff in the transition to the new contractual arrangements, demonstrating a very strong staff-wide commitment to the GAVI Alliance.

Our Human Resources (HR) team has been extremely busy with recruitment, including the 19 new positions approved by the Board in October. We continue to recruit a good mix of staff from private and public sector backgrounds. All existing vacancies should be filled by the end of summer.

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In order to ensure that Secretariat work plan activities proceed on schedule, GAVI engaged consultants and temporary staff to help us through the early part of the year.

The second half of 2009 will see HR attention shift from the heavy demands of recruitment and establishing payroll to focus on new systems for performance management, training and development and succession planning.

The appointment that I particularly want to single out is the **new Deputy CEO**, Helen Evans, whom you will meet in Washington. Helen has thirty years experience as a senior manager in health and social policy, including running the communicable diseases and the international programmes in the Australian Department of Health. Helen will bring her recent experience of the Global Fund to fight AIDS, TB and Malaria, which can only help to strengthen the ties between our two organisations.

Lastly, from November I have agreed with our workplan-funded partners and contractors, that I will present out annual progress as measured by the strategic plan. At this meeting I will also show how the dashboard allows us to better measure progress on a regular basis.

### Looking Forward:

When we meet on 2 June we will be able to consider the outcomes of the **International Task Force on Innovative Finance for Health Systems** which is scheduled to meet the previous week. I look forward to hearing directly from GAVI Board members, Minister Tedros and Ms Machel, who are task force members, as well as many others in the GAVI family who are active on the task force. The intention is for the task force to take its report to the G8 leaders meeting in Italy in July and then work towards significant announcements at the time of the UN General Assembly in September.

It has been a very dynamic process which has potential to drive changes in the international health aid architecture. The breadth of its remit – to quantify the health systems needs in the least developed countries and identify potential innovative means of financing those needs – and its high level political backing, signal the potential for major changes. It has also been a refreshingly transparent process with open and wide consultations and working documents and submissions all available on the web [www.internationalhealthpartnership.net/taskforce.html](http://www.internationalhealthpartnership.net/taskforce.html)). This month Graça Machel is hosting a consultation with civil society from developing countries in Johannesburg, and as well the GAVI Secretariat joined with the World Bank to reach out to interested private sector actors.

While not a surprise, it is heartening to see that GAVI, the IFFIm and the AMC referenced so frequently in the task force's work. The GAVI Alliance has a strong reputation for success in both the innovative finance field and in our approach to HSS. The importance of strong health service delivery platforms to the achievement of our mission, and our flexible and country-aligned approach to supporting HSS, are well regarded both by implementing countries and by many of our donors.

The recent **swine flu outbreak** saw GAVI evoked as a necessary part of the response, should the flu reach epidemic proportions and spread to developing countries. When the earlier concerns about an avian flu outbreak were at their height, the Board reflected on the appropriate response

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and role for the GAVI Alliance. It may well be timely to look again at how best we position ourselves in such responses.

I look forward to Helen's arrival which will allow me more space to work with Board to pursue our advocacy and fundraising challenges. With your help, I am confident of success. As I said in the foreword to the new annual GAVI Alliance Progress Report that will be launched at the Board meeting, we have a very sound product base – the most successful and cost-effective medical intervention in history – and we have a built a business approach that works.

There is room for improvement. Efficiencies can and must be found. But fundamentally the GAVI Alliance is better placed than ever to present the case to donors to increase their investments in GAVI and to help countries to protect their most precious resources, the health of their people.