



GAVI Alliance Audit and Finance Committee Meeting

5 February 2013

Teleconference

FINAL MINUTES

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 16.00 Geneva time on 5 February 2013. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack). The Committee also reviewed its action sheet (Doc 1b) and its forward workplan (Doc 1c).
- 1.3 Tony Dutson, Senior Director Finance & Chief Accounting Officer noted that the Secretariat was setting up a process to implement the Board-approved Carry Forward Policy and would report on it at the Committee's April 2013 meeting. In addition, he noted that the World Bank was assessing its external audit arrangements and that the outcome would be reported to the Committee during the April meeting. He also reported an early indication of the firm likely to receive the appointment.

2. Programme Funding Plan approval / IRC Recommendations

- 2.1 Tony Dutson reported that the Secretariat would request that the Executive Committee endorse a net increase in programme budgets by US\$ 392,179,000 for 2013-2017 and approve a net increase of near-term programme liabilities (a sub-component of endorsed programme budgets) by \$226,675,000 for 2013-2014 (Doc 2).
- 2.2 In addition, he noted that the EC would be asked to consider conditionally endorsing a further net increase in programme budgets of \$288,924,000 for 2013-2016 and a further approval of near-term programme liabilities of up to \$199,310,000 for 2013-2014. Funding for these programmes had been recommended by the Independent Review Committee with conditions, necessitating a further IRC review in March 2013. However, the EC was being asked to endorse those programmes now, subject to the IRC reporting that its own conditions had been met.

- 2.3 Finally, he reported that the EC would be asked to consider conditionally endorsing \$30 million to support Measles SIA proposals in the Democratic Republic of Congo and Nigeria. It was noted that the IRC's first look at these programmes would occur in March 2013, and so the EC's potential approval would also be subject to a positive IRC review.

Discussion

- The Audit and Finance Committee noted that the remaining questions to be addressed by the IRC concerned programmatic issues rather than GAVI's capacity to fund the programmes. As such, the Committee reviewed the highest expenditure scenario, which was to assume all of the programmes would be funded.
- The Secretariat reported that, in the past, IRC conditionally approved programmes would not be submitted for Board/EC approval until after the conditions had been met. In this instance, however, waiting until the next regularly scheduled meetings would delay the programmes by at least one procurement cycle. In an effort to be responsive to countries, and because it was likely many of these countries would meet the IRC conditions, it was thought that an EC approval, conditioned on a satisfactory evaluation by the IRC, would timely move the programmes forward. In any event, if the IRC does not eventually approve a programme, the EC decision will not go into effect for that country.
- The Committee discussed projected expenditures through 2015 and noted that while there was still flexibility to endorse additional programme budgets, GAVI was closer now to its limit for making further endorsements. The Secretariat noted its comfort with the amounts remaining and the additional country demand expected.

Decision One

The GAVI Alliance Audit and Finance Committee:

- **Noted** it reviewed the financial implications of the Programme Funding Envelope amount, and that it could be approved by the Board or Executive Committee in accordance with the Programme Funding Policy.

3. AMC firm order commitment

- 3.1 Tony Dutson informed the Committee on the outcome of the latest call for offers held by UNICEF, in its capacity as procurement agency for the Pneumococcal Advance Market Commitment ("AMC") (Doc 3). Before UNICEF will enter into contracts with manufacturers to procure the vaccine, financing must be in place for any firm order associated with the agreement.

- 3.2 Usually UNICEF requires that the funds be escrowed in a procurement bank account under its control; the GAVI-funded portion would be transferred in this way. However, GAVI has again been able to negotiate a promissory note for the portion to be funded by the AMC donors through the World Bank.
- 3.3 Tony Dutson then disclosed the maximum amount the Secretariat would request from the Executive Committee to close a transaction with the suppliers. As this was a commercial position, he requested the Committee not circulate this commercially-sensitive information. He noted that the maximum amount was smaller than that requested in the paper and that in the Secretariat's opinion, a transaction of this maximum size could be approved in line with the Programme Funding Policy and Cash Reserve Policy.
- 3.3 Consequently, he would request that the EC approve a financial commitment to UNICEF, half of which would be transferred in cash now and half to be secured by a promissory note, which would be paid off through the eventual release of the AMC donor funding through the World Bank.

Discussion

- The Chair confirmed that he had discussed the mechanics and commercially-sensitive aspects of the deal with the Secretariat and was comfortable moving forward with the negotiation and transaction. He emphasised that the amount requested was a cap within which the Secretariat and UNICEF would have to work to close a deal. Thus it was the worst-case scenario on pricing, and keeping the information to a small group of people would allow the Secretariat and UNICEF negotiators to potentially close a better deal. The Committee agreed that it was comfortable with the Chair acting on the Committee's behalf to receive and comment on commercially-sensitive aspects.
- It was confirmed that the AMC donors are not privy to commercially-sensitive information. The Chair emphasised that the donors should be comfortable with that arrangement given that the amount requested was the outer limit of the Secretariat's bargaining power and that keeping commercially-sensitive information to a small group of people could only improve the deal, not worsen it.
- The Committee discussed the drivers of the smaller request than that listed in the paper. Tony Dutson confirmed that it was not linked to lower demand.

Decision Two

The GAVI Alliance Audit and Finance Committee:

- **Noted** that it reviewed the financial implications and structure of the pneumococcal vaccine firm order commitment transaction.
- **Endorsed** the conclusion that GAVI has the financial resources to approve a financial commitment in an overall amount of up to US\$ [x] million to be

provided to UNICEF to allow UNICEF to enter into the supply agreements for the purchase of pneumococcal vaccine during 2017-2019.

- **Noted** that further time and commercially-sensitive negotiations in the context of the AMC are taking place and requested that the Chair of the Audit and Finance Committee review the financial implications and structure of that transaction and make any appropriate recommendations to the Executive Committee on the consistency of the transaction with GAVI's Programme Funding Policy.

4. Any other business

- 4.1 It was confirmed that the process for appointing the internal auditor would be discussed at the April Committee meeting and that any changes to process would then be discussed with the Governance Committee.
- 4.2 It was also noted that stemming from the Board's discussion in December 2012 on procurement arrangements, the Secretariat was looking at alternative procurement regimes to determine what services and pricing was available and then discuss findings with UNICEF.
- 4.3 After determining there was no further business, the meeting was brought to a close.

Mr Kevin A. Klock
Assistant Secretary



Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- Dwight Bush
- Micheline Gilbert
- Dirk Gehl
- Ludovica Soderini
- Derek Strocher

Other Board members present

- Seth Berkley (non-voting)

Regrets

- Tom Hunstad
- Yifei Li

Secretariat

- Debbie Adams
- Tony Dutson
- Helen Evans
- Kevin A. Klock

Guests

- Kelly Jarrett, Bill & Melinda Gates Foundation