

Gavi Alliance Audit and Finance Committee Meeting

8 November 2022

Videoconference

1. Chair's report

- 1.1 Noting that the meeting had been duly convened and finding a quorum of members present, the meeting commenced at 16.00 Geneva time on 8 November 2022. Naguib Kheraj, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).
- 1.3 The Chair welcomed Hitesh Hurkchand (United States/Australia/Korea (Rep. of)), Kelly Jarrett (Bill & Melinda Gates Foundation) and Lauren Franzel (World Health Organization) who were joining as members for their first meetings. Anne Schuchat, Board member (Unaffiliated) and Programme and Policy Committee (PPC) Chair, also attended.
- 1.4 The Chair provided an update on the outcome of the PPC meeting on 31 October-1 November 2022, in which the PPC endorsed the programmatic recommendations associated with the proposed budget that had been discussed at the last AFC meeting on 19 October 2022.

2. COO Update

- 2.1 David Marlow, Chief Operating Officer, explained that the purpose of this additional session was to provide further clarifications related to the forecast and budget.
- 2.2 He provided an update on two key meetings that had taken place since the last AFC meeting: i) a deep dive meeting on the subject of treasury and currency hedging with the AFC Chair on 28 October 2022; and ii) the PPC meeting. He emphasised that these two meetings did not impact the validity of the information presented at the last AFC meeting.
- 2.3 Regarding Treasury activities, he noted that approximately US\$ 7 billion in short term assets were under management by the Secretariat, with US\$ 5.5 billion for COVAX and US\$ 1.5 billion for Gavi core business. He indicated that there had been action points to follow up on from the deep dive meeting, including updating the risk report before the end of the year along with concentrated risk exposures.
- 2.4 Mr Marlow noted that the Secretariat will continue to enhance financial reporting and will bring a proposal on this back to the AFC.

- 2.5 He reviewed the key elements of the financial forecast that had been presented at the last AFC meeting, notably the favourable position estimated at US\$ 183 million, and highlighted the key programmatic discussions at the PPC meeting. He reviewed the COVAX budget, which included a Pandemic Vaccine Pool of US\$ 2.7 billion, with US\$ 0.8 million in vaccines and another US\$ 1.8 billion to be allocated for work in this area.
- 2.6 He reminded the AFC that the Secretariat's Operational Excellence work is in early stages and a work in progress. He highlighted a continued focus on Secretariat capacity and work overload.
- 2.7 Anne Schuchat, PPC Chair, confirmed that there were no new financial implications stemming from the PPC discussions. She reviewed several of the key discussion points, including the focus on addressing backsliding and supporting transition, the relaunch of human papillomavirus (HPV) vaccine, and the timeline for the Vaccine Investment Strategy (VIS).
- 2.8 Seth Berkley, CEO, noted that there is a great deal of uncertainty remaining in the system; however, at the same time there is a focus on resuming immunisation and getting it back to where it was. He reported that COVID-19 Delivery Support (CDS) will continue to be rolled out and it is expected that this will strengthen health systems. On the VIS, he noted that the Gavi Board had decided to pause it and it will be important to carefully consider the optimum time to pick this back up.

Discussion

- One AFC member asked about the funding in the budget for COVAX in 2023 and whether there had been any discussion on what it would be used for. The Secretariat clarified that there are estimates of potential vaccine demand going forward, and that the budgeted amount is intended to ensure countries have access to primary doses, booster doses, delivery finance as well as a small amount to keep the work moving forward and potentially transition to a routine vaccination in 2024.
- It was clarified by the Chair that the AFC was being asked to confirm that the financial resources are available should the Board decide to make the programmatic decisions put before it.
- A Committee member enquired about the timeline for the Operational Excellence Project Management Office (PMO) and associated consultant support and whether this would continue into 2024. It was clarified that expectations are that all these initiatives would come to close and become embedded within the organisation, but work is still ongoing to determine the scope and timeline.
- PPC members asked for further programmatic detail on several of the PPC discussions, particularly around i) the US\$ 167 million for the HPV relaunch and delivery costs; ii) outbreaks and pandemic preparedness and response (PPR); iii) malaria and regional manufacturing; and iv) hexavalent vaccine; and clarifications were provided on these points.

3. Financial forecast 2021-2025 (including COVAX AMC and currency hedging update)

- 3.1. Assietou Diouf, Managing Director, Finance and Operations, presented this item to the Committee (Doc 03) and reiterated that there were no financial implications to the forecast following the PPC meeting.
- 3.2. Ian MacTavish, Director, Finance, outlined the key drivers and assumptions within the forecast, and given the ongoing uncertainty, also covered key risk elements.
- 3.3. He responded to various questions raised prior to the meeting by AFC members, including on wastage, country absorption rates, how COVAX funds have been incorporated in the forecast, salary levels and vacancy rates.

Discussion

- One AFC member asked for further information about the bottlenecks and challenges with regards to health systems and immunisation strengthening (HSIS) support; and about any crossover between HSIS and COVID-19 Delivery Support (CDS), and to what extent there were earmarks in place to prevent this. It was clarified that the three CDS windows were established specifically for COVID-19 vaccine; however, the third CDS window was designed slightly differently in that it contained the possibility to use the funds for activities related to reintegration into the national health system.
- AFC members requested that the geographic breakdown of health systems spend be provided as part of future Committee meeting packs.
- Regarding human papillomavirus (HPV) vaccine, one AFC member enquired about whether any trade-offs related to Gavi 5.1 could be tracked; for example, the HPV relaunch. It was clarified that this information was provided in the annexes to the pack to the extent available.
- One AFC member indicated that his constituency was not comfortable with participating in the decision for Decision One part d) at this point in time with the information available. It was clarified that the Gavi 6.0 forecast is based on assumptions and as indicated in the decision language does not prejudge future donor contributions or future investment decisions. It was also explained that these long-range forecasts were requested by the Board to have a longer view, even if regular budgeting is conducted on only a two-year cycle, and this could be labelled clearly in the recommendation as being illustrative. It was agreed that in the next review of the Programme Funding Policy, the Secretariat would consider how to reflect the more tentative nature of this long-range forecast.

Decision One

The Gavi Alliance Audit and Finance Committee **reviewed** the financial forecast and **recommended** to the Gavi Alliance Board that it:

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations made by the Programme and Policy Committee and concluded that these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.
- b) **Approve** the updated Financial Forecast for the Gavi 5.0 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.2 billion.
- c) **Approve** the updated Financial Forecast for COVAX AMC (2020-2023) of Qualifying Resources of US\$ 12.5 billion and Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 10.7 billion base expenditure and US\$ 1.8 billion pandemic vaccine pool).
- d) **Approve** the illustrative Financial Forecast for the Gavi 6.0 (2026–2030) Strategic Period of Qualifying Resources of US\$ 8.8 billion and Forecast Expenditure of US\$ 8.5 billion noting that only **existing programmes have been forecast** and the forecast has been prepared to enable the Secretariat to allot funding to these programmes in accordance with the Programme Funding Policy and **does not prejudice future donor contributions or future investment decisions**.

4. Partners' Engagement Framework and Secretariat Budget 2023-2024

- 4.1. Ian MacTavish, Director, Finance, presented this item to the Committee (Doc 04) outlining key drivers and activities underpinning the 2023-2024 Gavi 5.0 and 2023 COVAX budgets.

Discussion

- An AFC member asked about the process for releasing the US\$ 10 million block of unspecified funding currently included in the budget. It was clarified that the budget typically contains a pot for contingency funding, and that this line already contained an earmark for HPV and for the scoping of the African manufacturing work.
- With regard to the spend for headcount and salaries, one AFC member asked about the best metrics that could be used to track year on year changes, as there appeared to be a large jump from 2022 to 2023. It was clarified that the increase could be explained by several factors including a decrease in the number of vacancies coming out of the pandemic, inflation, and merit increases, and not simply by an increase in FTE.

- AFC members requested the Secretariat circulate the slide with a more granular breakdown of the US\$ 48 million and US\$ 30 million for 2023 and 2024 by category of spend for informational purposes.

Decision Two

The Gavi Alliance Audit and Finance Committee **recommended** to the Gavi Alliance Board that it:

- a) **Approve** US\$ 149.8 million in 2023 and US\$ 152.8 million in 2024 for Secretariat Resources excluding COVAX.
- b) **Approve** US\$ 1.0 million in 2023 and US\$ 1.0 million in 2024 for capital expenditure budgets.
- c) **Approve** the COVAX Operating budget of US\$ 43 million in 2023.
- d) **Approve** the Gavi 5.1 Operating budget for the additional targeted priorities related to the pandemic of US\$ 27.7 million in 2024 noting these additional priorities are subject to Board approval of the Gavi 5.1 strategy.
- e) **Approve** US\$ 73.9 million in 2023 and US\$ 73.1 million in 2024 for the Partners' Engagement Framework budget including
 - i. US\$ 5.2 million in 2023 for COVAX procurement fees;
 - ii. Continuation of US\$ 2 million complexity fee relating to UNICEF procurement of Gavi 5.0 vaccines during the pandemic for both 2023 and 2024;
 - iii. US\$ 2.4 million in 2024 for procurement fees for the additional targeted priorities related to the pandemic.

5. Any other business

- 5.1. It was clarified that the topic of Treasury Management and Treasury Forecasting would come back to the next AFC meeting.
- 5.2. There being no further business, the meeting was brought to a close.

Ms Brenda Killen
Secretary



Attachment A

Participants

Committee Members

- Naguib Kheraj, Chair
- Gianmarco Coccozza
- Lauren Franzel
- Hitesh Hurkchand
- Kelly Jarrett
- Etleva Kadilli
- Andreas Karlberg Pettersen
- Bvudzai Magadzire
- Emmanuel Maina Djoulde
- Karen Pillay
- Teresa Ressel

Regrets

- Kwaku Agyeman Manu
- Joshua Tabah

Other Board Members

- Seth Berkley, Gavi CEO
- Anne Schuchat, Gavi Board Member and PPC Chair

Observers

- Stella Villares, Special Adviser to Gavi Board Chair

Secretariat

- Pauline Caywood
- Sally Dalgaard
- Assietou Sylla Diouf
- Lucy Elliott
- Brenda Killen
- Ian MacTavish
- David Marlow
- Aurélia Nguyen
- Thabani Maphosa
- Marie-Ange Saraka-Yao
- Jeanne Shen
- Jacob van der Blij
- Melissa Wolfe

Guests

- Fabien Bryois, Deloitte S
- Lisa Watson, Deloitte SA