

GAVI Board Teleconference

8 November 2004

FINAL Summary Report

1 IFF for Immunization (IFFIm) conditionality

- The IFF for Immunization (IFFIm) presents a significant opportunity to generate additional financing for immunization and health services in the poorest countries. It is a novel mechanism that could have profound impact on the way other development aid is financed in the future.
- For the mechanism to function it will need to include conditionality – an objectively measured event capable of being evaluated annually – the breach of which would allow donor governments to choose to reduce their payments to the IFFIm. Conditionality is required:
 - to enable the multiyear pledges by donor governments to appear in their budgets on an annual basis reflecting the amount actually paid that year, rather than accounting for the entire multiyear pledge in the year the pledge is made; and
 - to calculate the percentage of the long-term donor pledges that can be converted into cash up front by issuing bonds (the ‘advance rate’).
- The GAVI Board was advised that the IFFIm initiators and their legal and financial advisers had explored a number of different options for the condition, including immunization coverage in the eligible countries. However, given the difficulty of predicting future trends in immunization coverage and other health system indicators, a programmatic condition was ruled out as an option.
- The only condition judged to be workable by the IFFIm initiators and their legal and financial advisers was whether a recipient country is in ‘protracted’ arrears (greater than 6 months) in meeting its IMF financial obligations. There is sufficiently robust data regarding the historical likelihood of the event to support the calculation of the ‘advance rate’.
- Some Board members observed that by addressing the legal and financial requirements of the IFFIm, a burden is being placed on those countries where children are facing the most serious difficulties.
- GAVI’s core principle is that all children everywhere need immunization. The use of an IMF-related criterion for IFFIm donor funding is not intended to alter that core principle. In recognition of the uniqueness of the opportunity, and the number of children who *will* benefit from this massive increase in available resources, the alliance will act to balance all interests.

DECISIONS

The GAVI Board:

- 1.1 Endorsed the use of IMF protracted arrears as a high-level conditionality for donor commitments and capital market pricing, as described in the draft document prepared by the UK and circulated to the GAVI Board on 5 November (attached as Annex 2), with the following clarifications:
 - 1.1.1. It is understood that various other options have been thoroughly explored and pursued and that the IMF protracted arrears is the only option to make the IFFIm a reality.
 - 1.1.2. The conditionality restriction will only affect IFFIm funds; funds contributed directly to the Vaccine Fund will not be affected.
 - 1.1.3. It will be explored whether funds for the polio stockpile, international technical assistance, and vaccine procurement might be unaffected by the IFFIm conditionality. This will need to be negotiated with the financial authorities.
 - 1.1.4. Given that only countries named in the initial reference portfolio (list of eligible countries) will be eligible for IFFIm funding, it will be explored whether the reference portfolio may be broadened to include additional countries whose incomes may fall below the \$1000 GNI/capita threshold during the lifespan of the IFFIm. This will need to be negotiated with the financial authorities.
 - 1.1.5. The length of the IFFIm funding commitments to countries will be five years; if a country falls into IMF protracted arrears during the span of that commitment, IFFIm funding already approved for that country would not be stopped.
- 1.2 In the case of countries which are currently in protracted IMF arrears, or fall into arrears in the future, the GAVI Board and The Vaccine Fund Board commit to work with the international community to identify other resources to support the immunization programmes in these countries. In fact, the Vaccine Fund Executive Committee has made a proposal to secure resources for those countries in arrears in order to make sure that all children have access to immunization.

2 IFF for Immunization (IFFIm) structure

- Based on the document provided to the Board by the UK on 5 November 2004 (attached as Annex 3), and the further recommendation of the IFFIm task team, the IFFIm structure is proposed to entail the following elements:
 - Creating the IFFIm requires that a new entity is created as a UK charity, with an independent board.
 - The IFFIm board would be enjoined to fund all requests received from the Vaccine Fund, subject to:

- confirmation that the country for which new funding is proposed is not in protracted IMF arrears;
- availability of funds, as dictated by sound and prudent financial principles;
- compliance with the overarching principles of the IFFIm, verifying that the GAVI and The Vaccine Fund Boards have complied with these principles.
- The IFFIm should not duplicate the functions of GAVI and the Vaccine Fund. In particular, subject to UK charity law requirements, it should not:
 - establish programme policies which are the responsibility of GAVI partners
 - duplicate the audit functions of GAVI and The Vaccine Fund
- The IFFIm board will have five members initially appointed by the GAVI and The Vaccine Fund Boards; subsequent members will be appointed by the sitting IFFIm board members. It is anticipated that the directors will consult with the donors, but will act independently in accordance with their obligations under UK charity law and the constitutional documents of the IFFIm.
- Secretariat services will be provided by the GAVI/Vaccine Fund Secretariat, if this is acceptable to the UK Charity Board.
- The governance structure of GAVI/The Vaccine Fund and its country support processes will remain substantially unaltered, although the IFFIm donors will need to be satisfied that the arrangements for management of IFFIm funds offer value for money and deliver programme efficiency.

DECISIONS

The GAVI Board:

- 2.1 Endorsed the proposed IFFIm governance structure (as described above), including the creation of a separate IFFIm entity, with a clearly limited role that does not duplicate the respective responsibilities of the GAVI and The Vaccine Fund Boards.
- 2.2 Requested UNICEF and the World Bank to submit proposals to the Vaccine Fund to act as fund distribution agents for the IFFIm. The proposals will be assessed for efficiency, simplicity, avoidance of duplication (including minimizing country-level transaction costs), cost-effectiveness, and transparency of reporting. Specific issues to be covered in the proposals will be developed by Tim Yapp (legal consultant to DFID), Alice Albright (The Vaccine Fund) and Hilary Wild (WHO), and forwarded to UNICEF and the World Bank.
- 2.3 Delegated decision-making authority to the IFFIm Task Team to complete the legal documentation required in setting up the IFFIm, in light of the urgent time pressure (to launch the IFFIm in early 2005). However, the Task Team chair will consult regularly with the GAVI Board Chair who may decide that certain decisions require full Board endorsement.
- 2.4 Requested the IFFIm Task Team chair to ensure that there is an appropriate mechanism in place within the GAVI Alliance to facilitate rapid review of documents.