



Report to the GAVI Alliance Board

18-19 June 2014

Report of the Chief Executive Officer

11 June 2014

Dear Board Members,

I look forward to seeing you all next week at a time when the Alliance is busier than ever. Our core programmes continue to accelerate, with 2014 set to be another record year in terms of vaccine introductions and campaigns. We are also implementing new programmes such as IPV support as part of the Polio Endgame, support for Japanese Encephalitis vaccine, and the cholera stockpile approved in the Vaccine Investment Strategy (VIS). We are implementing improved management systems, such as the grant application, monitoring and review (GAMR) process and new knowledge management systems, and continue to learn and adapt in the face of key challenges (e.g., through the full country evaluations). At the same time, we are also charting our future with this Board meeting hopefully set to approve the Alliance 2016-20 strategic framework. And we are now in full Replenishment mode following our successful launch meeting in Brussels last month. This is an exciting time for the Alliance and I look forward to reflecting on all of this and other issues with you.

You will note that this is longer than past CEO reports. This is because we removed several information items from the Board agenda (e.g., country programmes update), based on the recommendation of the Board and Committee self-assessment to reduce the number of information items discussed by the Board. Therefore, we have included more detail on these topics in the CEO report and have also included more detailed papers (e.g., Country Update from PPC, latest GAVI Risk Register) in your packs. Also in line with the self-assessment, we will be organising a number of technical briefings the day before the Board. These will provide in-depth briefings on a number of issues and also share some more recent developments and lessons learned from our work (e.g., interesting recent findings from the HPV demonstration projects, country graduation assessments etc.). Please let me or any of the team know how useful these briefings are.

Building GAVI's future

Among the many issues we will discuss at this Board meeting, the **2016-20 strategy** stands out for its importance in shaping GAVI's future. The proposed strategic framework is the culmination of a thorough process and series of discussions with all of you. Overall, the message we heard was that the next strategic period should be about consolidating our progress, following the rapid acceleration in vaccine introductions during the current period. This includes ensuring every eligible country can introduce the full range of GAVI-supported vaccines if they choose, raising coverage rates to ensure the full power of immunisation reaches every child, and supporting the first wave of graduating countries to successfully transition their programmes from GAVI Alliance support.

I believe the strategic framework we aligned on at the Board Retreat appropriately reflects these priorities. You asked us then if we could set some high-level targets for the strategy before the Board meeting. While many of the detailed indicators will need further work to define, calculate baselines and set targets, we have estimated our expected impact in terms of additional children immunised and future deaths averted (two of our Mission Indicators during the current strategy period). We project that our new strategy will support vaccination of at least 300 million additional children through routine immunisation and the work between 2016 and 2020 will avert 5-6 million future deaths (we will reach millions more people through campaigns but are still calculating how many and the impact of these campaigns). This is a significant increase on our targets of 243 million children immunised and 3.9 million future deaths averted through routine immunisation between 2011 and 2015. By continuing to support vaccine introductions (with an average of up to 30 introductions per year forecast during the next period), scaling up already introduced vaccines and increasing routine immunisation coverage, we also project that up to 50% of children in the 73 GAVI countries will be receiving all 11 vaccines recommended by WHO for universal use by 2020. This compares to under 5% today. We will therefore be reaching more children over the next period, and reaching each child with a broader portfolio of vaccines. I am excited by the significant opportunity for acceleration that these numbers represent, though mindful we will need to address significant challenges to achieve them. Over the coming months, we will define a full set of indicators, baselines and targets.

We expect that this Board meeting will approve the overall framework that will guide us 2016-20. However, many Board members have pointed out that while agreeing *what* we will do during the next period is important, agreeing *how* we will do it is potentially even more critical. Although the huge acceleration in vaccine introductions during the current strategy period has not been simple to manage, the next period will require the Alliance to support countries in addressing even more complex challenges to reach the unreached, strengthen under-performing systems and successfully graduate. There is no silver bullet for any of these problems and many other organisations are grappling with similar issues. However, part of the power of the Alliance is our ability to learn from experience, innovate new ways of doing business and bring to the table the right partners with the skills, capabilities and expertise needed to address key challenges.

Over the next 18 months, we will be working together as an Alliance to flesh out the details of how we will implement the strategy. To that end, we will be bringing to the Board a number of policies and strategies during the coming year and a half including a supply chain strategy, a review of the eligibility, graduation and co-financing policies, a strategy for access to pricing for graduated and other lower middle income countries, and an enhanced approach to engaging the private sector. At the April Retreat, the Board challenged us to enhance the way we work as an Alliance and fully leverage the contribution of partners as we move into the next period. We will therefore be working with partners to review and refine the Alliance operating model to ensure it is optimised for the challenges ahead.

At this meeting, we will be discussing the first of these – the Alliance's **supply chain strategy**. This clearly articulates the need for supply chain strengthening and creates a framework for action at global, regional and country levels by identifying priority areas and initiatives. It also highlights the need to use the expertise of the private

sector and to consider synergies with other health commodity supply chains. The PPC strongly endorsed the proposed strategy and the Board paper reflects the PPC's discussion. The strategy was developed jointly by a broad group of Alliance partners, which will stand us in good stead to rapidly move into implementation, building on the work that is already underway in the Alliance. To that end, I am grateful that the Canadian government has provided an additional CAD 20 million in end of year funds (USD 18.3 million) to help kick-start implementation – and the Board is being asked to approve the addition of USD 3 million of this money to the already approved business plan for 2014.

Of course, the success of our 2016-20 strategy will ultimately rest on our ability to mobilise the funding required to meet country demand. Our **Replenishment** got off to a successful start with the launch meeting in Brussels on May 20. Hosted by President Barroso and Commissioner Piebalgs of the European Commission (EC), the purpose was to provide donors with a deeper understanding of the opportunity for impact 2016-20, and the investment required to deliver that impact.

As described in the Prospectus, which I circulated to Board members before the Brussels meeting, the Alliance will require an additional \$7.5 billion (on top of \$2 billion of already assured resources) to fully meet projected country demand 2016-20. We expect that this will be the peak period of GAVI financial needs as countries take the full set of vaccine programmes to scale. Unless the Board decides to endorse major and unexpected new programmes, the 2021-25 strategy period will see our financial needs decrease as a growing number of countries graduate from GAVI support (22 are currently projected to fully graduate by 2020).

The feedback we received from donors in Brussels was that our Replenishment ask is ambitious but realistic. Most of our donors were represented in Brussels – many at senior levels – and they were vocal in calling on each other to step up and ensure GAVI is fully funded. Several Donor Ministers attended parts of the meeting and made strong statements of support, including Secretary of State Greening from the UK, Minister Girardin from France and Minister Ploumen of the Netherlands. And, as I informed Board members in advance, Parliamentary State Secretary Silberhorn of Germany announced that his Government was willing to host the Pledging conference, including providing high-level political leadership and a significantly increased financial commitment to GAVI. This news was widely welcomed, especially by other donors. While we are still finalising the dates, we expect the Pledging Conference will take place in January or February 2015.

Many others in Brussels called strongly for GAVI to be fully replenished. This included the leadership of our founding partners with Margaret Chan, Tony Lake, Jim Kim and Bill Gates re-stating their commitment to GAVI in a joint video. In addition, ONE and RESULTS held a joint press conference, with RESULTS releasing an updated donor scorecard, and ONE kicking off an innovative campaign to support Replenishment linked to the football World Cup (and which they will present at the Board meeting).

Andrew Witty, CEO of GSK, also spoke eloquently from an industry perspective about the importance of the GAVI model for ensuring universal access to vaccines. His sentiments were echoed by GAVI Board Member Mahima Datla from Biological E during the subsequent panel discussion. In particular, Andrew singled out our ability to shape markets to ensure the poorest countries get the lowest prices, while continuing to provide incentives for innovation. He also recognised that graduation,

which is central to the GAVI model, will be a challenge for many countries. He therefore announced that GSK would hold prices constant for all graduating countries for at least 5 years after graduation and called on other manufacturers to do the same – a big step forward in our work on sustainability.

During the meeting, the EC made a new 7-year 175 million Euro pledge to GAVI. This follows positive news from other donors in 2014. Last week, the German Parliament approved an additional EUR 8 million contribution to GAVI for 2014, and there are signals that they will approve another additional contribution of at least that amount in 2015. The US announced an increased pledge of \$175 million for 2014 (up from a \$138 million contribution in 2013) and the President has submitted a budget request of \$200 million for 2015. Canada recently committed CAD 40 million in end of year funding to support GAVI's work in Francophone countries, and implementation of our supply chain strategy (as discussed above). Earlier in the year, Australia paid its full 2013 pledge despite uncertainty around their development budget, and there are signals it will continue to remain a key donor. Lastly, India has officially become the first GAVI implementing country to also be a donor – and the fourth of the five BRICS countries to support GAVI (with China not yet a donor) – with a \$4 million pledge.

We are also delighted with the continued momentum from private sector donors. The Children's Investment Fund Foundation (CIFF) recently made a new contribution of \$25 million towards GAVI's HPV programmes, making it our biggest private sector donor (cumulatively), after the Bill & Melinda Gates Foundation. Since the last Board, we have also received additional support from Comic Relief, and new contributions from the ELMA Foundation and the Alvaro and Ana Sobrinho Foundation. All of these will be doubled by Matching Fund support from DFID and the Gates Foundation.

We will of course not be resting on our laurels and will continue to engage intensively with donors between now and Replenishment. Since the last Board meeting, I have personally visited nine donor Governments – several multiple times. I plan to visit another three current and potential future donors before the end of the summer, while other members of the Secretariat Executive Team – and partners – are also actively engaged in conversations with all of our donors.

We are also working to amplify the broad support for GAVI's Replenishment. In May, I joined President Kikwete of Tanzania, President Sall of Senegal and President Kaberuka of the African Development Bank at the World Economic Forum (WEF) Africa in Abuja, where they jointly launched the Immunise Africa 2020 leaders' declaration. This recognises the power of immunisation, reinforces the commitment of African leaders to invest in immunisation and health, and calls for GAVI to do more. We were joined by Klaus Schwab, WEF founder and Executive Chairman, who described GAVI as "one of the most remarkable...examples of public-private partnership [that] we are really proud originated at the World Economic Forum". The declaration has since been endorsed by President Mahama of Ghana, President Teshome of Ethiopia, President Johnson-Sirleaf of Liberia, Kofi Annan, and Dr. Richard Sezibera, Secretary General of the East African Community (and of course a GAVI Board member). I also recently attended the Maternal, Neonatal and Child Health (MNCH) summit hosted by the Canadian Government, where immunisation featured prominently. I was invited to give one of 5 plenary presentations and Prime Minister Harper identified immunisation as one of three priority areas when announcing CAD 3.5 billion of Canadian funding for MNCH 2015-20.

At the recent Brussels Summit, the G7 also recognised the importance of GAVI and immunisation, stating “We recognise the impact of the GAVI Alliance and welcome its efforts to expand access to vaccines to an additional 300 million children during 2016-2020. We welcome Germany’s offer to host the second replenishment in early 2015, reaffirm our commitment, and call on other public and private donors to contribute to the replenishment of the GAVI Alliance.” We are working with partners to ensure that immunisation continues to have a high profile in the preliminary United Nations reports and discussions that are helping to define the post-Millennium Development Goals. The final intergovernmental negotiations will begin in late September 2014 and a high-level summit is scheduled for September 2015 to endorse the final post-2015 development agenda. We will continue to take advantage of events and processes such as these to raise the profile of immunisation and GAVI. I will provide a full overview of the road from here to the Pledging Conference at our meeting.

Delivering on our commitments 2011-15

Despite the focus on GAVI’s future, we are also managing a continued acceleration in programmes during our **current strategy period**, where we are largely on track to achieve our strategic goals. We are in the midst of an unprecedented ramp-up in GAVI-supported programmes with 41 new vaccines and campaigns launched last year, twice the number launched in 2011, itself a record year. This year we are on track to support over 50 launches and next year this could surpass 100 with most countries due to introduce IPV.

This scale-up demonstrates the enormous progress that we are making on Strategic Goal 1, where we expect to support more vaccine **introductions** in this period than originally targeted. We hope that South Sudan will be able to proceed with its launch of pentavalent vaccine in the coming months, making it the final GAVI country to introduce the vaccine. This truly demonstrates the power of the GAVI model as all countries will be providing their children with HepB and Hib antigens, vaccines which were hardly available in the developing world when GAVI was launched. Moreover, introductions of pneumococcal and rotavirus vaccines continue to outpace the rate of pentavalent vaccine introduction (although unfortunately, coverage is below target for all three vaccines due to introduction delays caused by country readiness issues and supply constraints). 75% of eligible countries have now applied for pneumo and more than 50% have introduced. Over 60% have now applied for rota. .

Progress in HPV has been even more impressive. 23 countries have applied for HPV support, and 10 of these have already introduced the vaccine (either in demonstration projects or full national roll-outs). We expect up to 7 more applications by September, by when over half of the 54 eligible countries will have applied. This is particularly remarkable for a vaccine that requires countries to create an entirely new intervention to reach adolescents, typically an untargeted age group, as opposed to other vaccines which can be added to the childhood immunisation schedule. We hope that this momentum will be further accelerated by the recommendation of the Strategic Advisory Group of Experts on immunisation (SAGE) in April that countries switch from a 3-dose to a 2-dose course of HPV. This will also contribute to the sustainability of these programmes, further reducing the vaccine cost to countries by a third.

The 6 demonstration projects launched in 2013 have successfully completed their first year, achieving high coverage among their target populations. They have also served their purpose in identifying specific implementation challenges, such as

definition of target districts and populations, and enabling countries to refine financial and programmatic requirements. Countries have also been able to identify their technical support needs, which Alliance partners have addressed through strong regional coordination. The first wave of countries will now roll-out the additional adolescent health interventions identified in their integrated plans. These will use the HPV immunisation platform to provide adolescent girls with a package of health and education interventions aligned with countries' plans and priorities.

We have also supported countries to implement a number of supplementary immunisation activities since the last Board. This included a catch-up MR campaign conducted by the Government of Bangladesh in early 2014, targeting children between the ages of 9 months and 14 years. This vaccinated more than 53 million girls and boys – the largest campaign the Alliance has supported to date. Early assessments suggest that the campaign was broadly successful with high coverage despite being implemented soon after an election, which impeded preparations. This success was largely due to concerted and coordinated efforts by government, political and religious leaders, non-governmental organizations and communities to plan and implement the campaign. It included participation from Lions Clubs, with whom we have partnered through the Matching Fund, who played an active social mobilisation role. The country will be conducting a post campaign coverage survey in due course.

In the next year, we plan to open the window to support introduction of Meningitis A conjugate vaccine into routine immunisation programmes, ensuring sustained protection for populations living in the meningitis belt in Africa. We will also begin to support Japanese encephalitis vaccine in 2 countries following prequalification of the first vaccine from a Chinese manufacturer last year. Finally, following the Board's decision on the VIS, we have started work with WHO and other partners to implement our investment in the global cholera stockpile. This will enable use of oral cholera vaccine to respond to epidemics and prevent outbreaks in humanitarian emergencies or other high risk settings. To inform the design of the Cholera stockpile, we are incorporating lessons learned from the stockpiles for Yellow Fever and Meningitis vaccines, and will also use these findings to improve the operations of the existing stockpiles. Preliminary findings confirm that these have been successful tools for responding to emergencies and we are integrating findings into the Cholera program design, and to improve operations of the existing stockpiles.

Following the Board decision in Cambodia, we are working with countries to support introduction of inactivated **polio** vaccine (IPV). The timelines called for under the Polio Endgame require the vaccine to be introduced at an unprecedented pace – with all countries introducing by the end of 2015. This is very ambitious but the Alliance has demonstrated its ability to respond rapidly and flexibly. IPV application guidelines were issued within two weeks of the Board decision and the first applications were received in just over four months. Since November, over 35% of the 73 eligible countries have already applied and many others are expected to do so in the next six months. We anticipate that the first GAVI countries will introduce IPV this year, within a year of the Board approving the programme. In their applications, the first wave of countries requested a higher number of doses than we originally forecast. Moreover, not all presentations of the vaccine that we expected to be available have yet been prequalified. It is too soon to tell how this will affect our financial needs, especially as countries typically fine tune their needs over time. We will keep the Board and our IPV donors updated as we get a better understanding.

Of course, GAVI's role in the Polio Endgame is more than just supporting countries to introduce IPV. Equally important is to help strengthen routine immunisation (RI) systems to deliver polio and other vaccines. As part of the Endgame Strategic Plan, the Global Polio Eradication Initiative (GPEI) committed to support a 10% increase in RI coverage in high-risk districts of endemic countries and ensure that polio workers spent at least 50% of their time on RI strengthening activities. While our overall partnership with GPEI is very strong – as evidenced by the rapid progress on IPV – this is one area where we believe further work is needed. Given the high profile push for polio eradication, ensuring polio staff (as well as policymakers and other stakeholders) are equally focused on RI is a challenge, especially with the recent declaration of polio as a global health emergency. It is, however, a challenge we must address since the countries where the polio programme has most staff, investment and capabilities are also among those with the weakest RI programmes, especially the three remaining endemic countries – Afghanistan, Nigeria and Pakistan.

Our engagement in polio is just one of the approaches we are taking to help improve performance on **Strategic Goal 2**, where we are not on track to achieve all of our 2015 targets. As we have discussed in recent Board meetings, other changes over the past 24 months include ensuring health systems strengthening (HSS) proposals are tied more directly to immunisation outcomes, introducing intermediate indicators to better track and evaluate the impact of HSS spending, and changing the HSS guidelines to improve the quality of proposals and programmes. The new guidelines require that countries have mechanisms to independently assess the quality of administrative data and track changes over time; perform two household surveys every five years to assess immunisation coverage, equity and factors associated with non-immunisation; place more emphasis on involvement of civil society organisations in HSS proposal development and implementation; and clarify implementation arrangements within HSS applications, including requests for technical assistance and requiring a procurement plan. Many of these changes – such as a focus on intermediate results and improved data quality – were key recommendations of the HSS Technical Advisory Group (HSS TAG) which finalised its report in March after two years of work. I would like to thank all the members of the TAG for the insightful analysis and constructive recommendations, and particularly Anders Nordstrom for chairing the group. We will be actively exploring its other recommendations (e.g., on sustainability and technical support) as part of the 2016-20 strategy.

In addition to the above, we continue to increase Alliance support on strategic goal 2, especially in the most fragile countries. We are accelerating HSS disbursements, which reached \$119 million in 2013, nearly twice the 2012 level and the highest since 2008. This support is increasingly tailored to the specific challenges of fragile countries, guided by country tailored approaches (CTAs) which were completed for Nigeria and DRC last year. The CTA for Central African Republic is complete and reflects close work with CSOs, while Pakistan's has been approved by its ICC. Others are well under way, with drafts developed for Afghanistan, Haiti, Chad and Cote d'Ivoire, while those for Chad, Guinea, Somalia and South Sudan will begin mid-year.

WHO and UNICEF have also received dedicated funds under the business plan to help countries with the greatest coverage and equity challenges implement improvement plans. Moreover, following a competitive call for proposals, John Snow, Inc (JSI) and Agence de Médecine Préventive (AMP) have been contracted to provide additional capabilities in specific countries, complementing those of existing Alliance

partners. This work is focused on identifying specific actions to improve coverage and equity and strengthen immunisation programmes, and these are being integrated into country workplans following Interagency Coordinating Committee (ICC) endorsement.

We are beginning to see these changes translate into real impact at country level. Excluding five large countries¹ and four particularly poorly performing states², average DTP3 coverage across the 64 remaining GAVI-eligible countries reached 85% by 2012, the latest year for which WHO / UNICEF data is available. Countries' annual progress reports and administrative data suggest that coverage continued trending upward in 2013, even in some challenging countries. We hope that this progress will be reflected in the 2013 WHO / UNICEF data, which will be released in July. Nonetheless, coverage and equity will remain among the biggest challenges facing the Alliance and, as discussed above, a key focus of the 2016-20 strategy.

Sustainability and graduation will be another major focus for the next strategy and we continued to see reasonable performance on Strategic Goal 3 in 2013. At the time of writing, we had received co-financing of over \$70 million for 2013, an increase from \$63 million in 2012. Nonetheless, we may be seeing early evidence of the burden that these increasing commitments place on countries, with a higher default rate in 2013 than previous years. Of the 68 countries required to co-finance vaccines, 52 had fully paid their commitments by end of year. Some late payments were due to countries catching up on arrears from previous years, while others were due to administrative issues. We continue to engage closely with all of these countries, and only 6 countries remain in default at the time of writing. However, it is clear that countries will need intensified support as their co-financing levels increase, especially as there is an emerging group of regularly defaulting countries with 70% of countries that defaulted in 2012 also doing so in 2013.

The countries for whom co-financing is increasing fastest are of course the 20 countries that are now on the graduation track (another 2 will enter graduation in July including India). We are increasing our efforts to support these countries in their transition to fully self-financing their programmes. Last year the Board approved an approach for the Alliance to strengthen its engagement with graduating countries, ensure effective graduation plans are in place and provide targeted graduation grants where necessary to address bottlenecks to graduation that cannot be addressed through HSS support. Since November, the Alliance has begun assessing countries' graduation readiness and supporting countries to develop graduation plans, including through a number of joint missions by Alliance partners. As requested by the Board, the PPC reviewed and commended the approach and progress.

We now have a strong network of partners supporting countries during the graduation phase. In addition to WHO, UNICEF, the African Development Bank and the Sabin Vaccine Institute, the World Bank is strengthening its engagement. The Bank has begun conducting rigorous sectorial and fiscal analysis, providing policy guidance, and will also participate in Alliance missions to conduct graduation assessments and develop plans. We feel confident that with the new approach and the support of this broad network of partners, most graduating countries will be on track to graduate successfully.

¹ India, Nigeria, Indonesia, DRC, Pakistan

² Somalia, Central African Republic, Guinea, Chad

Vaccine pricing will be one of the most important elements in ensuring the sustainability of countries' programmes after graduation. In November 2013, the Board requested that we "conduct analyses and consultations to develop and propose instruments to support **access to affordable prices for all Lower Middle Income Countries** (LMICs), including graduated countries and non-GAVI LMICs". At its May meeting, the PPC reviewed a first draft of a potential Alliance approach, which prompted a very lively discussion. The Committee acknowledged the importance and complexity of the issue and requested that the Secretariat, working closely with Alliance partners, countries and stakeholders, conduct additional consultations and analyses to further develop a proposal for a pooled procurement facility (which might include tiered pricing, a revolving fund, demand guarantees or similar risk-mitigating structures). The next round of analyses will include roles and responsibilities, financial and legal requirements, sources of funding, risks and costs, and we are already working to develop an inclusive Alliance working model. The team will be holding a technical briefing on this topic for Board members the day before our meeting.

One issue the PPC did highlight in its discussion was the challenge posed by PAHO's **least price clause** (LPC). We have been encouraged by recent conversations with PAHO on this issue (PAHO was also represented on the Technical Consultation Group for the access to affordable pricing work). These have indicated an awareness of the importance of ensuring access in the poorest countries and a willingness to engage in discussions to develop a global solution which ensures these countries – including those in the PAHO region – continue to have access to the lowest prices. We look forward to continuing to work closely with PAHO in the coming months to ensure that this issue does not become an impediment to GAVI's market shaping model and pricing in graduating countries. We will continue to update the Board on developments.

The Alliance continues to work intensively on **market shaping** to strengthen the overall market and reduce the price of GAVI-supported vaccines, especially in the context of Replenishment. Since the last Board meeting, we have completed a tender for IPV which secured sufficient quantities of vaccine for our countries and pricing within the target range. It also included the first ever formal offer of tiered prices for GAVI and other middle income countries. Coupled with Andrew Witty's pricing announcement in Brussels, this is indicative of a gradual shift among manufacturers towards a more formalised tiered pricing system – something which Dagfinn and I discussed explicitly with all the industry CEOs at the International Federation of Pharmaceutical Manufacturers Association (IFPMA) meeting in January.

One initiative which will strengthen our efforts across all our strategic goals is the new **grant approval, monitoring and reporting** (GAMR) system. As we discussed last year, GAMR is designed to reduce transaction costs for countries, ensure closer coordination with countries' planning cycles, better align HSS & vaccine support, and improve fiduciary oversight. Following Board approval last June, the Alliance has worked quickly to begin implementing GAMR. We have already introduced a mechanism for countries to submit an Expression of Interest before formally applying for support. This allows for more iterative engagement by the Alliance to support countries in developing their plans, while increasing alignment between country plans and vaccine supply availability. The Alliance published revised application guidelines in early 2014 describing this new process.

In May, the High Level Alliance Review Panel met for the first time. It replaces the monitoring Independent Review Committee (IRC) in making recommendations to the GAVI Board or CEO on continuation of GAVI support for existing grants (the IRC will continue to be responsible for new vaccine applications and those that are up for renewal after five years of support). The panel is designed to increase accountability of the Alliance, ensure more intense review of country programmes, provide more targeted support including during the application phase, align HSS and vaccine introduction support, and streamline review processes. The Panel will meet several times a year to align with countries' budgetary and planning cycles. Its discussions are informed by Joint Appraisals by the ICC and Health System Coordinating Committee (HSCC) in each country, which describe the performance of GAVI grants, challenges and opportunities. This ensures decisions are grounded in the country context and owned by in-country stakeholders. By design, the Panel focuses more on the larger, more complex and higher risk grants where greatest oversight is needed.

To improve routine monitoring, the Alliance will also introduce by early 2015 an online performance framework which will track intermediate results to evaluate performance of grants. This will enable us to assess progress and update future targets in real time to better manage supply. It will build upon countries' existing monitoring and evaluation frameworks, systems and review mechanisms, and much of the data will be automatically drawn from existing sources. We are also introducing an Alliance risk register for GAVI's grants to countries.

Another initiative which will enable us to better understand how we can strengthen GAVI Alliance support at country level is the **full country evaluations** (FCEs). These provide a much deeper and more comprehensive analysis of the performance of routine immunisation programmes and the strengths and weaknesses of GAVI Alliance support than we have ever had to date. We received the first annual report from the FCE team in March, including an evaluation of Alliance-supported introductions of pneumococcal vaccine in Mozambique, Uganda and Zambia last year. While the findings do highlight a number of shortcomings in the performance of the Alliance, we welcome these reports and are grateful to the authors for the quality and usefulness of the work. These will provide us with a real opportunity to improve the support we provide to countries and I believe they are a good example of how the GAVI Alliance is truly a learning organisation. Additional evaluation components will be conducted in these three countries in 2014, as well as in Bangladesh and India, including an assessment of the effect of campaigns on routine immunisation systems, Health Systems Strengthening support and biomarker assessments.

Country update

I visited **India** in January this year and was encouraged by the strong progress and momentum on immunisation. India became the latest country to be certified polio-free in February, and is already in advanced planning to introduce IPV, which it will fully self-finance. It is in the process of rolling out pentavalent vaccine to every State with catalytic GAVI support and there are active discussions on introduction of rotavirus vaccine once the first product from a domestic manufacturer is licensed (currently expected in the next 12-18 months). This will dramatically increase global coverage of these two powerful vaccines given the size of India's birth cohort. India is also working hard to expand coverage, with GAVI disbursing the first tranche from the \$107 million in approved HSS support in late 2013. This will be focused in particular

on addressing barriers to coverage and equity improvement in poor performing States. Together with India's first donor contribution to GAVI, this strong progress demonstrates the increasing leadership role which India is taking on immunisation.

We are confident that the newly elected Government will sustain this momentum. I have had the privilege of meeting Arun Jaitley, the new Finance Minister, and Sushama Swaraj, the new Minister for Foreign Affairs, during recent visits to India and know that the new Government is committed to building on and accelerating progress. In order to support the Government, especially in the face of powerful anti-vaccine movements, we launched the Indian GAVI Advisory Council (GAC) during my January visit. Created in cooperation with Alliance partners and the government, the GAC is composed of a number of high-profile public figures and will strengthen ties with policymakers and national influencers. The Alliance also continues to proactively engage with the Indian media to respond to anti-immunisation journalism.

Unfortunately, the situation in neighbouring **Pakistan** is less encouraging. It continues to struggle with the challenges of devolution and the institutional arrangements of the immunisation programme remain highly fluid. Polio remains a major challenge, with 93 cases in 2013, second only to Somalia, and with the most cases worldwide in 2014. Given the strong focus on polio, there is inadequate prioritisation of routine immunisation at both policy and operational level. To help address this, the Alliance organised a Round Table with the Federal Minister of Health at the World Health Assembly to advocate for stronger leadership, management and accountability of the EPI programme at federal and provincial levels. This will also be a focus of the country tailored approach which has been approved by the ICC, and we are looking into a partnership arrangement with the World Bank which will allow us to jointly work directly with the Provinces. Pakistan also defaulted on its co-financing for 2013 due to a Court decision that prevented the programme procuring directly from UNICEF. It plans to appeal the decision, and has indicated that its default status will be rectified by the end of the year. Despite these challenges, Pakistan plans to implement a preventative measles campaign targeting children up to the age of 10, with GAVI support for those under 5. The Government also plans to introduce IPV in 2015.

The situation in **Nigeria** also continues to be challenging. WHO and UNICEF estimate that DTP3 coverage declined to 41% in 2012 following stockouts of routine vaccines. This was due in part to a recurring failure to allocate sufficient domestic funding for routine immunisation, with a funding gap again this year. This issue will become even more acute following the re-basing of Nigeria's GDP announced in May, which resulted in a near-doubling in Nigeria's estimated GDP to almost \$2,500 per capita. This means they will enter graduation next year, three years earlier than previously forecast. We have already begun discussions with the Government and the need to immediately begin planning for increased domestic financing. However, this will still pose fundamental challenges. The GDP re-basing has not changed the reality in Nigeria, nor the Government's tax revenues or fiscal space. 85% of the population lives on less than \$2 per day. It has the lowest routine immunisation coverage of any GAVI country and the second highest number of under-immunised children (based on the number of children receiving three doses of DTP). Many states have weak – sometimes entirely dysfunctional – immunisation programmes and it is one of three remaining polio-endemic countries. It has yet to introduce rotavirus, pneumococcal, HPV or rubella vaccines (though has been approved for pneumo and applied for rota in April) and, under current policies, is unlikely to be eligible to apply

for further vaccine support. Moreover, we recently completed a Cash Programme Audit (CPA) on the use of GAVI cash-based support provided to Nigeria during the period 2011-2013. The report, which was recently submitted to the Government, identified concerns in the use of these funds. We are currently awaiting a response from the Government and will further brief you during the closed session of the Board.

These issues come at a time when we are seeing some progress in Nigeria. In 2013, the Ministry of Health began developing a National Routine Immunisation Plan to help increase coverage, the first integrated plan in many years. Nigeria recently completed nationwide roll-out of pentavalent vaccine and administrative data suggests coverage may be on the rise again, while it recently completed a national measles campaign. And recent work on supply chain has been a great example of development partners working together to help the Government fix critical systems bottlenecks. Supply chain redesign pilots in Kano and Lagos, which were partly supported by GAVI, have resulted in a dramatic reduction in stock-outs in pilot areas. We will continue to work closely with the Government of Nigeria to resolve the financial issues and streamline our support, and look forward to discussing these issues with the Board.

7 years after GAVI cash support to **Uganda** was suspended following misuse of funds, we released a new tranche of their deferred HSS grant in May 2013. This has been reprogrammed and the country has developed a detailed budget, procurement plan and work plan. Due to internal challenges, the Minister requested that all procurement be effected by a third party, which will be managed by UNICEF and John Snow, Inc (JSI). Uganda has redesigned its vaccine distribution from national to district level, using a population-based (push system), rather than demand-based approach (pull system). This has resulted in zero stock-outs reported since mid-2013.

I also wanted to update the Board on progress in a number of fragile states. The **Democratic Republic of Congo** (DRC) recently completed a nationwide rollout of pneumococcal vaccine and is currently conducting a 5-phase measles campaign targeting children 6 months to 9 years of age (with GAVI support for children up to 5), which is also delivering OPV, vitamin A and deworming interventions. DRC has also made major progress in mobilising domestic financing for immunisation. In 2012, it paid its 2010 and 2011 co-financing arrears and, for the first time, funded part of their traditional vaccines. In 2013, the government fully paid its 2012 arrears and continued to contribute to traditional vaccine needs. For 2014, the government has formally committed itself to cover 100% of its traditional vaccine requirements.

The situation in **Central African Republic** (CAR) has deteriorated sharply with conflict and instability hampering even basic health system operations (e.g., unpaid Ministry of Health personnel, peripheral cold chain destroyed). This has further reduced immunisation coverage, which had already fallen to 47% in 2012, and the Government reported measles outbreaks throughout the country. The recent CTA enables the country to reallocate \$1.4 million in approved HSS funding for key elements of the Ministry of Health Recovery Plan, use vaccine stocks for catch-up campaigns, and allow Médecins Sans Frontières France to pay CAR's outstanding 2012 co-financing. It also waives 2013 co-financing given the emergency situation. **South Sudan** also experienced conflict over the past year. The immunisation programme continues to function and we are working with partners to help the country rebuild the health system. We are developing a CTA and have approved nearly \$30 million of HSS support. The country plans to move forward with upcoming

vaccine introductions including pentavalent vaccine by the end of July (the first vaccines have already arrived in country) and a meningitis A campaign in the fourth quarter.

These are powerful examples of the ability of the Alliance to support countries in even the most challenging circumstances. They also reflect the importance of a more tailored approach to fragile states. This will become increasingly important during the next strategy period as some higher-performing countries graduate and fragile states account for a growing share of GAVI-eligible countries.

Risk management update

You will recall that at our November meeting, Simon Lamb, our Internal Auditor, presented the findings of his audit of GAVI's Enterprise Risk Management (ERM). His overall conclusion was that GAVI has effective ERM processes, which work well and are largely consistent with best practice. However, he did recommend that GAVI develop an explicit risk policy (this was one of four recommendations, all of which we are implementing). This is being developed and will come to the Board in December where we hope to have a discussion on our risk appetite as an Alliance, and risk tolerance levels for different areas of our work. This new policy should strengthen our ability to recognise and assess risk in decision-making and in day-to-day operations. We know that this is a particular priority for many of our donors and therefore an appropriate discussion to be having in the context of Replenishment.

In the meantime, we continue to actively manage key risks. We operate a thorough, bottom-up process to identify risks, prioritise them based on their likelihood and impact, and ensure appropriate mitigation measures are in place. This is captured in the GAVI Risk Register which is reviewed and discussed by the Executive Team on a quarterly basis. Many of the identified risks are related to programmatic issues discussed above (e.g., co-financing, replenishment), but I did want to highlight three risks which are assessed as "high" and growing (no new high risks have been identified since the last Board). I would of course be happy to discuss any other risks not covered in this report at our meeting, where I will also provide an update on our ongoing misuse investigations in closed session.

Firstly, we are highly conscious of the risk of misuse of GAVI support. This risk is naturally high given that GAVI provides support in some of the most fragile countries, with sometimes weak fiduciary systems. It is particularly pertinent to our cash support programmes and is therefore increasing as our cash disbursements also increase. As we discussed at our meeting 12 months ago, we continue to devote more resources to audit functions and tighten our controls to identify and manage misuse (e.g., through the expanded transparency and accountability (TAP) policy, more cash programme audits (CPAs), and the soon-to-be-introduced whistle-blower facility). This will allow us to identify more systematically any misuse of GAVI resources and could mean in the short term an increased number of investigations.

The second high and increasing risk is around vaccine wastage, particularly closed-vial wastage. While the risk of "misuse" in the above sense is limited (due to a limited secondary market for most vaccines), the risk that vaccines are not appropriately managed is a real one, and grows as countries continue to scale-up programmes increasing both the volume and complexity of vaccine management. One of our key mitigation strategies is the Alliance supply chain strategy which will be discussed at

this Board. In addition we are in the process of reviewing our long and short term vaccine demand forecasting processes and are piloting a revised allocation process for pentavalent vaccine, in order to ensure optimal in-country stock levels.

The last high and increasing risk is ensuring successful graduation. As discussed above, more than a quarter of GAVI-eligible countries are now on the graduation track. As these countries approach their graduation dates, the risk that some do not fully sustain the progress they have made with GAVI support increases. We believe most countries are on track to graduate successfully and – as discussed above – are supporting countries to develop tailored graduation plans, including targeted financial support as necessary, to maximise the probability that they do so. This risk will also be addressed by the ongoing review of our eligibility, graduation and co-financing policies referenced above. We will bring initial recommendations for these policies to the December 2014 Board, with final approval in June 2015. This will include options for a graduation approach that is more tailored to the different needs of graduating countries, integrating lessons learned from our experience to date.

Organisational update

There were a number of important **Governance** discussions and decisions taken at the Governance Committee and Board Retreat in April. These included agreeing to propose that the Board extend Dagfinn's term by 12 months to ensure continuity of leadership through Replenishment, and to offer me a renewed contract as CEO which I was delighted to accept. There was also an intense discussion of the Board and Committee self-assessment. We are already implementing some recommendations of the self-assessment where these were endorsed by the Board, including reducing the number of information items on the Board agenda, including more technical briefings the day before Board meetings, organising regular group inductions for new Board members, and including questions for the Board in presentations to facilitate discussion. We look forward to supporting the Governance Committee and Board in implementing additional changes as these are agreed.

One issue that was raised in the self-evaluation was high turnover of Board members. In that context, and especially given we are at a critical time with Replenishment and the transition to a new strategy, I did want to highlight that we project significant further turnover over the next 18 months. By the end of this year, 12 more Board members are currently scheduled to step down, including rotations among Board and Committee leadership positions. This would mean over 40% of Board members rotating off in the next 6 months, with additional turnover expected next year. Therefore, I do think this remains an important issue for the Board to address as it implements changes resulting from the self-assessment.

One area where we have been making progress over time has been in streamlining the number of governance meetings. Over the past year, we reduced the number of Board and Committee meetings by 20% (from 48 to 40 over the preceding 12 month period). One significant driver of that has been the dissolution of the GAVI Fund Affiliate. This has also reduced our management costs by \$1.4 million. In addition, we have saved \$2 million per year by restructuring the GAVI Campaign, resulting in total savings of \$3.4 million per year through Governance changes. Our Governance and Legal team is also working to restructure our insurance cover for the various GAVI entities, which they estimate will save a further \$500,000 per year. Collectively, these changes could reduce our operating costs by up to \$20 million over the next strategic

period. This is one of a number of areas in which we are seeking to find economies and improve the efficiency of our operations, even as we scale-up our programmes.

Our investment portfolio is another area where our Governance mechanisms are delivering increasing efficiency and returns for the Alliance. The portfolio returned an estimated 4.1% in the 5 months to the end of May, outperforming benchmark indices for both global equities and 3-5 year US treasuries. This is a remarkable achievement which demonstrates the benefits of our revised investment policy. I would like to thank Jeanne Shen and her team, George Welde and members of the Investment Committee for all their hard work to ensure we invest our resources effectively.

We continue to work with **partners** to strengthen the Alliance. In January, Margaret Chan invited me to join her and her senior leadership team to provide a briefing on GAVI. She emphasised the importance of the GAVI model, welcomed closer collaboration between her team and the Alliance – including citing the business plan as the best accountability tool she was aware of – and committed her personal support to GAVI's Replenishment. She has kept to this commitment, highlighting GAVI in a number of important events including her speech to the World Health Assembly. I am grateful for her support, as I am for the strong support we have received from the heads of our other partner organisations – Tony Lake, Jim Kim and Bill Gates. It is critical that we are seen to speak as a single Alliance in our efforts to mobilise the resources we require for the next period.

Also in January, we had a joint retreat between the Secretariat and the Gates Foundation. Given the Foundation's engagement in almost every aspect of the Alliance's work, this was a useful opportunity to update each other on current activities and plans, share lessons learned and discuss how we can better collaborate. It was strong evidence of the Foundation's commitment to GAVI that so many of their staff were able to join us in person for the meeting. We hope to build on this very constructive dialogue with further discussions in future, and similar retreats with other partners. To that end, we have invited teams from our four core partners to join us for a discussion on the Alliance's operating model the day after the Board. Coming after the Board's decision on the 2016-20 strategic framework, we believe this an opportune moment to discuss how we can strengthen the Alliance model and optimise our collaboration, including at country level.

I am also happy to report that the World Bank continues to deepen its engagement in the Alliance. As discussed above, they are getting more engaged in graduation and financial sustainability through new work which will be funded by GAVI with additional funds approved by the Board last year. We are also discussing how we can enhance our support to countries on health system strengthening and results based funding. The IRC recently approved results-based funding plans for Benin and Burundi and we are in discussions with the Government of DRC. These plans have helped harmonise our support with the Bank, as well as the Global Fund, to increase the efficiency and effectiveness of our investments. We are also discussing how to better collaborate in Pakistan, where we are working with the country to ensure our HSS support builds on the Bank's existing loan for immunisation. This will hopefully also enable us work more directly with provinces given recent devolution. We are discussing a number of other areas for greater collaboration as part of the 2015 business plan and 2016-20 operating model discussions in the areas of HSS, graduation and health financing.

The Secretariat continues to work closely with UNICEF Supply Division to implement the findings of the benchmarking study on procurement activities conducted last year. This includes improving short term forecasting, better defining the interface between the Secretariat and UNICEF, and improving financial management of GAVI Alliance funds. We will report back to the Board on the results of this by the end of the year.

A number of new **senior Secretariat staff** will be attending the GAVI Board for the first time this June. First and foremost, I am delighted that Anuradha Gupta started with GAVI at the beginning of this month and is transitioning into her role of Deputy CEO over the course of June. As we discussed in Berlin, Anuradha brings a wealth of management experience, deep country knowledge, a track record of delivering results and a passion for the GAVI mission. I know she is looking forward to meeting Board members next week. Sadly, this does mean this Board will be Helen's swansong as Deputy CEO as she will leave GAVI's full time employment at the end of June. No one has contributed more to GAVI's success over recent years than Helen and we will have ample opportunity to celebrate her service during the meeting and Board dinner. Helen will be moving back to Australia but we look forward to her continued engagement as a GAVI special representative in the region.

This will also be Rob Newman's first Board meeting. Rob joined as Managing Director of Policy and Performance at the beginning of the year and has hit the ground running, including picking up the reins of managing the strategy process. His immediate contribution was evident in the high-quality preparations and materials for the Board Retreat. Since the last Board meeting, David Ferreira decided to step down as Managing Director of Innovative Finance. He played a key role in making innovative finance core to our work and building a high-performing team, and will be missed. We have no immediate plans to replace David – instead, the IFFIm team will report to Barry Greene as Managing Director of Finance and the private sector team will report to the Executive Office.

I am happy to welcome David Salinas to the Board meeting as our new Director of Country Support, replacing Paul Kelly. David brings a great blend of experience, having spent 7 years building and leading the strategy and policy team at the Global Fund, and previously having worked for McKinsey. He takes over team which is now at full strength and will help accelerate the transition to a stewardship role. At the same time, I am sorry to report that Bruno Bouchet – who was recently appointed Director of Health Systems and Financial Sustainability – has chosen to return to the United States for personal reasons. We are fortunate to be able to replace Bruno with a strong internal candidate in Alan Brooks, who was one of the final candidates in the previous recruitment process. Sadly, we are also saying farewell to Bernadin Assiene as Director of Programme Fiduciary Oversight (PFO – as the TAP team has been renamed). Bernadin is moving to Rome for family reasons, where he has been offered an exciting position at the World Food Programme. We thank him for all his work with GAVI and wish him well in his new role. Given the critical importance of this position, we immediately launched a search for Bernadin's replacement and are expediting the recruitment process. In the interim, Simon Lamb will be taking a more active role in helping to manage the PFO team.

We are also close to finalising the appointment of a Chief Knowledge Officer, which will be a critical role as we seek to improve GAVI's knowledge management. As you know, this has been a priority for me personally and I am happy to report that we are

starting to make real progress. We recently implemented a new customer relationship management (CRM) tool which enables us to better manage our contacts and stakeholders, improve our corporate planning and facilitate internal communications. We are also embarking on an initiative to improve data management and sharing within the Secretariat and we hope to engage with partners on this in due course.

Another area we have been working to strengthen is performance management. We have just completed our first cycle of performance reviews using the new process designed by the human resources team. This more robust approach includes a new rating system, calibration of ratings for all staff by the Executive Team, in-house training for managers in giving feedback for development, more active debriefs and follow-up with staff, and tying salary increases to performance for the first time since the transition out of UNICEF in 2009. Further management training is scheduled to take place in the coming months to help enhance management competencies across the Secretariat. Our HR team is also preparing to implement a new HR information system (HRIS), which will automate the entire employee life cycle. This will yield a number of operational efficiencies, including by automating a number of manual processes and by offering staff a “self-service” capability for many HR functions, as well as assisting with more informed decision making and improved analysis.

Lastly, I wanted to provide a brief update on the Health Campus. As I have previously informed the Board, this has encountered a number of delays and we do not expect it to be ready before 2018 at the earliest. While we remain committed in principle, we will need to find an interim solution since we are beginning to face space constraints in our current building. We hope to secure a medium-term lease on some additional space near to our current building, while also negotiating an extension to our current lease to obtain the best deal given both properties are managed by the same agent and have similar ownership structures. This would enable us to manage until the Health Campus is completed and will also enable us to provide more shared space and encourage more collaboration across teams, as recommended in a recent external facility audit to improve productivity.

During this year’s World Health Assembly, I was delighted to join Margaret Chan, WHO colleagues, and many other friends of immunisation at a celebration of the 40th anniversary of the Expanded Programme on Immunisation (EPI). It was a welcome opportunity to reflect on our remarkable progress over the past four decades. When EPI was created, under 5% of the world’s children received the six basic vaccines (BCG, Diphtheria-Tetanus-Pertussis, measles and oral polio vaccine). Today 83% of children receive a full three dose course of DTP-containing vaccine, and coverage of the three other vaccines is even higher. At the same time, it was also an opportunity to discuss resetting our global ambition for immunisation moving forward. We are still missing the fifth child with even these basic vaccines. Equally importantly, most of the children who receive these vaccines are still “under-immunised”, with under 5% of children receiving all 11 vaccines universally recommended by WHO. Our aspiration must be to ensure that every child is fully protected with the appropriate range of vaccines, an important step to achieving the Global Vaccine Action Plan’s vision of a world free from vaccine-preventable diseases. With GAVI Alliance support, countries can take a major step in this direction over the next strategy period. I look forward to seeing you in Geneva next week and discussing these and other developments.