Report to the

GAVI Alliance Board

21-22 November 2013

Subject:	**Consent Agenda: Dissolution of GAVI Fund Affiliate**
Report of:	Debbie Adams, Managing Director, Law and Governance Barry Greene, Managing Director, Finance and Operations
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Agenda item:	02k
Category:	For Decision
Strategic goal:	Alliance operations

Section A Overview

1 Purpose of the report

1.1 This report is being presented to update the Board on recent developments with the GAVI Fund Affiliate ("**GFA**"), including the decision by the GFA Board to wind up the GFA by way of a Members Voluntary Liquidation ("**MVL**") and to present for the Board's ratification and adoption the resolutions that are required from GAVI as the sole member of the GFA in order to wind up the charity.

2 Executive Summary

2.1 In 2012, the Secretariat in collaboration with GFA, the IFFIm Company, the World Bank and the IFFIm Donors began the process of restructuring (the "**Restructuring**") the IFFIm mechanism to remove GFA as a party to the IFFIm framework agreements and transfer the majority of GFA's responsibilities to the GAVI Alliance with the objective of increasing operational efficiency and ultimately saving up to US$ 1.4 million per annum in costs. The Restructuring was completed with decisions by the GAVI Board in June 2012 to approve taking on the role previously carried out by GFA and the execution of the necessary legal agreements by the IFFIm Donors, GAVI, the IFFIm Company and the GFA effective 8 February 2013.

2.2 Under the above mentioned legal agreements effective 8 February 2013, GFA agreed to assign the majority of its assets and liabilities to GAVI, including US$ 89.6 million in cash relating to funds that were previously disbursed to GFA from the IFFIm Company for IFFIm Approved Programmes.

2.3 Subsequent to the completion of the Restructuring, and in line with the expectations of GAVI, the GFA Board decided to permanently dissolve GFA by way of a Members Voluntary Liquidation. This method of dissolving a company is available only to solvent companies and was in part chosen because an independent liquidator provides comfort that all the company's assets and liabilities have been appropriately addressed. Pursuant to the GFA Board's decision, and as documented in a Final Transfer Agreement between GFA and GAVI dated 30 June 2013, GFA transferred all its remaining assets to the GAVI Alliance, including US$ 19 million in cash related to interest accrued on GFA's pooled investments. GAVI agreed to pay all of GFA's current and future liabilities. GFA's recorded liabilities as of 30 June 2013 were US$ 326,690. Future liabilities, which should consist of fees for the attorneys, auditors and liquidators, are expected to be no more than US$ 250,000.

2.4 In order to wind up GFA, the GAVI Alliance as the sole member of the GFA must agree certain written resolutions that are prescribed by regulation, such as approving the winding up of GFA, appointing the liquidators, agreeing the remuneration of the liquidators and setting out the scope of powers of the liquidators. Once the liquidators are appointed, GFA will be dissolved within approximately two months. These resolutions are presented in the recommendations section of this paper.

2.5 In order to avoid certain tax and accounting costs that may be incurred if the GFA's liquidation is not completed by 31 December 2013, it was necessary to prepare and submit the abovement resolutions on or before 31 October 2013 to allow the liquidation to be completed prior to year end. Given that GAVI had agreed to the Restructuring of the IFFIm mechanism at its Board meeting in June 2012 and that approving these specific resolutions was an administrative task to be taken pursuant to that decision, after review by the AFC, the Chair of the Board and the Chair of the AFC agreed that the written resolution form could be signed and submitted to the liquidators on or before 31 October 2013 and that the resolutions could be ratified and adopted by the Board at the November Board meeting.

2.6 The written resolution form was signed on 31 October 2013 commencing the final steps to the dissolution of the GFA.

3 Recommendations

3.1 The Audit and Finance Committee recommended to the GAVI Alliance Board as the sole member of the GFA to ratify and adopt the following resolutions:

a) **Approves** that the GFA be wound up voluntarily.

b) **Approves** that John David Thomas Milsom and Allan Watson Graham of KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, United Kingdom, be and are hereby **appointed** joint liquidators for the purpose of such winding up and that any power conferred on them by the GFA, or by law, be exercisable by them jointly, or by either of them alone.

c) **Approves** that the remuneration of the joint liquidators be fixed at their normal charging rates, which may be amended from time to time, according to the time properly spent by them and members of their staff in attending to matters arising prior to and during the winding up of the GFA (including those falling outside their statutory duties) and that they be authorised to draw their remuneration on account.

d) **Approves** that the joint liquidators be and are hereby authorised to make distributions in specie, as and when determined by the joint liquidators, of the assets of the GFA during the administration of the winding up.

e) **Approves** that the joint liquidators be and are hereby authorised to exercise any of the powers to make compromises as contained in paragraphs 2 and 3 of Part 1 of Schedule 4 of the Insolvency Act 1986.

4 Risk and Financial Implications

4.1 There are no additional risk implications to dissolving GFA. If GFA were not dissolved and it was to remain dormant there would be financial costs to retaining the company and governance implications such as the need to retain a board. Completely dissolving the company eliminates the need to retain a governance structure and ensures there are no additional costs. In regards to insurance for the GFA directors, GFA is currently covered under the GAVI Alliance D&O insurance scheme at no additional costs to GAVI and will remain so for a period of no less than 6 years.