



**Minutes**  
**UNITAID Executive Board meeting**  
**9-10 July 2007**

1. **Quorum:** The Board convened in Geneva on July 9 and 10, 2007, in the presence of all its members. The meeting was opened by its Chair, Philippe Douste Blazy. The Chair took note that the Board reached its quorum (i.e. a majority of its 10 voting members) and was in capacity to make decisions.
  
2. **Introduction by the Chair:** The Chair, Philippe Douste Blazy underlined UNITAID positive results and success: in less than a year UNITAID is growing and has already achieved remarkable results. In such a short period, UNITAID has been able to mobilize countries from the North and the South, international organizations, foundations and NGOs for a common goal: increase access to affordable treatments and the speed at which they are made available. For 2007, a budget of more than \$300 million was gathered, with 200 million already committed. Programs are now being implemented, and drugs delivered in many countries (pediatric ARVs have been delivered since early 2007; ACTs have just arrived in Liberia and 2<sup>nd</sup> line ARVs will shortly be delivered). UNITAID has also reached significant price reductions for pediatric and 2<sup>nd</sup> line ARVs with the Clinton foundation that will benefit first to the population in need. With lower prices, more people will access to treatments. Our focus on influencing markets dynamics and use pool procurement should be reinforced. UNITAID focus on niches were its action is the most relevant, its flexibility, reactivity and complementarity with other organizations are key elements for its success.  
The Chair acknowledged the Board for its support, welcomed the new Executive Secretary, Jorge Bermudez, and thanked Philippe Duneton, the Préfet Jean Dussourd and the UNITAID secretariat for their work and commitment. He also stressed the challenges for UNITAID at this stage: there is a necessity to quickly reinforce the Secretariat and to set up an ambitious communication plan to get more visibility. It is also crucial that new countries join UNITAID in order to provide more resources for actions and reinforce our credibility. It is also necessary to ensure an appropriate follow up of our partnership agreements and the monitoring of the arrival and delivery of treatments in the countries in order to reach those in need without delay.
  
3. **Secretariat recruitments:** The Executive Secretary made a presentation on the recruitment situation. Although majority of the short term positions have now been filled, UNITAID Secretariat felt that the process is very long and time consuming and does not comply with the Secretariat specific needs. It shared with the Board its concerns regarding the feasibility of fulfilling its engagement to hire the fix-term staff by September 2007 due to the long recruitment timeframe. Out of the 11 fix term positions that have been advertised in March 2007, only two selection panels have

been organized. The post of deputy Executive Secretary decided at the last Board meeting should be published soon.

The Board adopted a resolution on the staffing of UNITAID secretariat and recruitment process, acknowledging that WHO rules made it very difficult for the Secretariat to recruit. In case recruitments don't go as smoothly as expected, the Board requested the secretariat to use secondments or consultants, especially for the market dynamics position. A meeting with WHO Director General was also proposed by some Board members to discuss exceptional measures.

In response to the Board concerns, WHO also made a presentation on WHO's recruitment process, enlightening the participants on the general problem the organization was facing due to the contract reform (all the programs are suffering from their inability to recruit) and stressing the fact that UNITAID needs were given priority. Next steps were discussed. The selection panels for the fix term positions will be established, once the shortlists are completed. WHO indicated that the panels should be able to complete their work and all applicants for fix term positions selected by September 2007. All Board members indicated their concerns on such difficulties to recruit staffs within a reasonable time, which might have a negative effect on operations. The representatives of Civil Society requested that UNITAID initiate work on options to transition to a better hosts, and that the Memorandum of Understanding between UNITAID and WHO be amended with a service level agreement, including penalties in case of service failure.

4. UNITAID financial commitments and disbursements: The Secretariat made a presentation on UNITAID financial situation. UNITAID expected contributions for 2007 reach \$ 360 M. Received or confirmed contributions reach \$ 318.1 M, 89% being already committed. \$ 36 M\$ remain uncommitted. The contributions from Chile and Brazil are expected soon. Spain will contribute for 15 million and the Gates foundation to 10 million annually. Korea indicated that their air ticket tax which was voted will start to be collected in October. The Chair indicated that he visited the Portuguese Parliament that unanimously supported the idea of a tax, and is now expecting a move forward from the Portuguese Government.

The disbursement ratio (21 %) is still too low for the moment, but should be improved with the signature of contracts with our partners. Disbursements are expected to represent 81% of financial commitment by the end of 2007. At the moment they remain still low (44 million), as all agreements have not been finalized with our partners for implementation. Agreements have already been signed with CHAI for pediatric ARV and 2<sup>nd</sup> line ARV, with GDF on pediatric TB, with UNICEF on ACTs for Liberia & Burundi. The agreement on MDR-TB is to be signed in the coming days, the agreement on ACT scale up should be ready soon. Discussions are ongoing on Round 6 and PMTCT.

Revenues are rather good and will be conform to those expected. Total operating costs represent 2.3% of the confirmed contributions, in line with what was forecasted. WHO hosting fees are quite high (US\$ 4 million in 2007 and up to US\$ 8 million) therefore a renegotiation should be considered. Brazil and Chile indicated they will contribute to UNITAID in the coming months.

The Executive Secretary indicated that Sandrine Boucher who was in charge of the administration and finances for UNITAID is leaving soon, and will be replaced. All Board members expressed their gratefulness to Sandrine Boucher for her excellent work.

#### **Status of implementation of UNITAID approved actions**

5. Paediatric ARV: The Clinton foundation (CHAI) informed on the implementation of the pediatric ARV program. 29 MoUs have been signed with the recipient countries.

MoU signature is imminent with 3 more countries. Thailand has not accepted the support. CHAI has also been able to negotiate important price reductions for pediatric ARV drugs. At this point, over 28,000 identified new children received treatment and commodities have been provided for an additional 40,000 already on treatment at the program's start. The goal is still to have 100,000 children under treatment by the end of 2008. CHAI is also working to provide easier access to use diagnostic tools, improve HR capacity, support community healthcare workers and build and renovate new facilities by bringing \$15 million of its own funds. Country registration of drugs has been a very consuming process.

In order to treat up to 300,000 children by 2008, an additional budget of \$207 M would be needed. In response to a request by CHAI, a discussion will be organized at the next Board meeting.

In addition, the Chair informed Board members that he would meet President Clinton on 21<sup>st</sup> July in Zambia, where pediatric treatments.

6. 2<sup>nd</sup> line ARV: Reduction of drug prices is a major issue, as well as getting more convenient treatments regimen. Initially prices for a treatment averaged \$1,400 pp/py. The expected goal is to reach \$400 by the end of 2008. CHAI has already obtained price reductions for 7 second-line antiretroviral formulations by 25% in low-income countries and by 50% in middle-income countries, making 6 of these formulations available in generic form for the first time. In July, \$7 million orders were already placed for 10 countries. This program has just started and patients have not received treatments yet. As some of the second line drugs can also be used as first line treatments, some more countries will also benefit of these prices. One of the major challenge is related to the diagnostic of treatment failures. For the continuation of the programme, 60 to 70 millions are expected and 80 million in 2009.
7. Pediatric TB: GDF presented the first results of this action. The project aims to provide appropriate-strength pediatric drugs for approximately 150,000 children, in at least 20 countries by the end of 2007. Because of lower than expected prices, it will be possible to treat more children up to 2010. Two technical review committees have already approved a total of 116,000 treatments in 29 countries (\$1,210,820), and two more TRC assessment rounds are planned in 2007. Drugs will be delivered in October 2007.
8. MDR-TB: In total, UNITAID has committed US\$ 20,820,000, covering an estimated 4,716 treatments for 17 low and low middle income countries for an initial period of 24 months. The Letter of Agreement with GDF has been prepared and is awaiting signature by all parties (July 2007). A key area of UNITAID's added value in this niche is to stimulate manufacturers of generic products to develop pre-qualified second-line drugs, which will not happen without a large scale market stimulus via pooled procurement and predictable, sustainable funding.
9. Programs with the Global Fund: The Executive Director, Pr Kazaktchkine, stressed the positive and rapid results of UNITAID in term of fund raising, market impact and provision of drugs. Work on the road map and other agreements (ACT scale up, Round 6) between the Global Fund and UNITAID is ongoing. However, some issues still need reflexion, such as the phasing out of niches, where the Global Fund and other partners could take over once the impact on drug prices is reached. Michel Kazaktchkine stressed that if phase out and takeover are envisaged, then discussions between both institutions should therefore must be conducted at inception. Both institutions should also work to avoid overlap in the field and to build on complementary missions. The Board agreed on the principle of attributing an observer seat at UNITAID Board for the Global Fund, subject to reciprocity.

10. UNITAID support to prequalification: WHO made a presentation on the current situation of prequalification actions funded by UNITAID. The Board requested from WHO a reporting framework assessing the situation of the prequalification process, in the light of the money invested by UNITAID for this program. A technical meeting / conference call will be organized by the Chair before the next Board.

## **Price transparency**

11. Price transparency: Presentations were made on price transparency by the DFID and WHO.

The DFID introduced the Medicines Transparency Alliance (MeTA) which aims to foster transparency and good governance and fight corruption (as 10 to 25% of the procurement activities are usually lost in corruption). The UK with others is working to form an alliance of countries, international institutions (World bank, WHO...), companies, civil society, academia to increase transparency and accountability. The MeTA model is now being finalized with pilot groups. There is direct relevance to UNITAID work as UNITAID success to increase affordability of drugs could be partly lost at country level. DFID suggest therefore for UNITAID and MeTA to work together. Distribution at country level (for example local taxes, distribution channels, but also corruption problems) is raised by some Board members as an issue that needs to be taken into account of this process.

WHO described its AMDS-led price reporting mechanism (GRPM) and the importance of transparency, through price information diffusion and price reduction. GPRM was created to increase transparency, inform decision making at national and global levels and help define priorities. GPRM captures a wide range of information on transactions provided by a number of major global procurement institutions. Information are accessible on WHO website. Data can be used to determine prices paid, volumes procured, sources used, prices variation between countries and regions, prices trends but also financial implications of therapeutic choices/changes.

The Board decided to carry on the follow up of these two initiatives and the Chair asked Board members to send their views on developing partnerships between UNITAID, MeTA and the WHO AIDS Medicines and Diagnostics Services (AMDS).

## **Patent pool**

12. Preliminary report on the legal aspects of patent pool: Pr Gold of IPDS - McGill University - presented a preliminary report on the legal aspects of patent pool. A drug patent pool aims at facilitating the manufacture, importation and sale of anti-retroviral medicines. The pool coordinates voluntary licences and provides technical assistance for compulsory licences. It enables generic pharmaceutical companies to provide competitively priced medicines that are most suitable for developing countries. The pool could bring down prices and simplify manufacturing, importing and sales of products and lead to new product combinations. The establishment / operation of medicines patent pools, under international law is legally feasible.

A pool could be organized as a small independent non-for-profit corporation that would sign an agreement with a sponsoring organization to ensure political support, and should use external technical assistance (international organizations, NGOs and consultants).

The preliminary report from IPDS will be sent to Board members. The secretariat will carry on work on risks and challenges and present a working plan for discussion at the next Board meeting.

MSF indicated their satisfaction that the report was so positive on the feasibility of patent pools. This tool will be very useful to design new drugs more efficient and easier to take.

Board members are expected to address their written comments on this report to the Secretariat in order to carry on future work.

13. Strategic orientation on partnerships: The note prepared by DFID on potential policy options was discussed. This note points out ways that UNITAID could use to influence the price of drugs and their availability. NGO have sent extensive commentaries on this paper. It was decided to set up a working group to discuss priorities on which UNITAID could the best use its resources in order to have a maximal impact on market dynamics, while avoiding duplications with other partners (UNITAID added value). Such clarifications could also be helpful in discussions to be held with the Global Fund. CHAI indicated their wish to take part to these discussions. This work should also include a reflection on the review process for proposals before their submission to the Board. A timetable and a deadline should be proposed by the Secretariat. The Chair requested all Board members but NGO to send their comments on the paper drafted by UK, in order to feed reflections of the working group and the Secretariat. Civil society, UK and Norway pointed out the urgency of agreeing a process for proposal development and partner selection, following the Draft Partnership Policy submitted by the Secretariat in the spring 2007. These members suggested that the Board postpone any decision on new proposals , until a formalized process for proposal selection is agreed upon.

### **Proposal for new actions**

14. First line TB: GDF presented a proposal on first line TB. 9 million people suffer from TB each year. Effective treatment of first-line TB remains challenge. A principal means of preventing MDR and XDR-TB is proper treatment of TB through supply of quality, first-line anti-TB drugs .  
The objective is to provide 740.000 first line treatments in 2007 and 2008 as transitional grants for approximately 18 countries, and fund the creation of a strategic rotating stockpile of priority first line anti-TB drugs and provision of emergency grants. The requested budget is US\$ 19.1 million for 2007 and 7.8 million for 2008. This will have a strong impact in helping GDF to increase its purchasing power in Q3 2007 and to achieve price stabilization of anti-TB drugs. A further 20 to 25% price decrease is expected in the medium term as a result of UNITAID's contribution to the maintenance of a sustainable market and aggregated demand via GDF in its capacity as the lead global pooled procurement mechanism for anti-TB drugs. The risk of stock outs will also be minimized. Reduction of overall treatment costs can also be expected by reducing expensive freight/emergency orders via creation and implementation of a Strategic Rotating Stockpile of first line anti-TB drugs. Reduction of order volume volatility will also contribute to a greater stability of prices.  
This program will also incite manufacturers to participate in the WHO prequalification programme. UNITAID funding is requested to face a short term, one time gap in global funding for first line TB drugs. This short term gap arises from the evolution of donor channelling of TB aid from GDF towards Global Fund. The Board, taking into account the great efforts to improve the proposal adopts it exceptionally, based on the crisis situation, taking into account its impact on market dynamics.
15. ACT scale up: WHO presented this proposal developed under RBM Harmonization working group umbrella. The proposal is aimed at allowing in the short term (2007-2008) 15 countries to scale up delivery of ACT drugs at levels commensurate with country supply management capacities, and contribute to stabilize the volatile and immature ACT market and reduce prices. The total requested budget is US\$ 77.3

million. Mechanisms proposed to stabilize prices consists in the placement of firm orders for high volumes of ACT, through competitive bidding and central procurement, the attraction of new manufacturers to the market, the encouragement of quality and innovation; over the longer term (2009-2010) the retaining and encouragement of Artemisia annua growers, the stimulation of demand for ACT in both the public and private sectors and the increasing absorptive capacity for ACTs. The Global fund expressed some reservations on this proposal, as absorption performance by countries is questionable.

Board members considered that the proposal didn't sufficiently demonstrate how it will impact the market in order to reduce volatility and deal with the countries' lack of capacity to absorb the distribution of drugs. Therefore the Board asked the Secretariat to continue working on that matter..

### **Long tem financial commitment**

16. Long term financial commitment by UNITAID donors: WHO representative reminded the Board members of the fundamental principle of matching commitments. He stated that external commitments can not exceed available resources. He also re-defined available resources as all funds committed to UNITAID through MOU and not only funds available in cash. Board members agreed on the necessity to have an official written document from WHO and UNITAID describing precisely what constitutes long-term financial commitment for the WHO Treasury. Such document shall be sent to the Board members in the coming weeks and will be commented by them.

### **Governance**

17. UNITAID governance structure: The working group had a preliminary conference call in June. One or two more teleconferences will be organized before next Board meeting. The objective is to adapt UNITAID governance structures to the joining of new donors. The consultative forum is considered as an asset. It is agreed that the secretariat should also take part in Board working groups for note-taking purposes.
18. Hosting agreement with WHO: Price Waterhouse has been appointed to provide a "risk analysis". It will focus on categories of risk such as procurement, human resources, governance, operations, partners, reputation... The Chair invited Price Waterhouse and Board members to have exchanges, through interviews, especially, as needed.

### **Any other business**

19. Roadmap with the Global Fund: Working groups of the Board of UNITAID and Global Fund's PSC are working on the roadmap with the Global Fund with UNITAID and the Global Fund secretariats. The secretariat reported on the 11<sup>th</sup> June teleconference. The McKinsey team of consultants will support the work and an independent experts group will be selected to take part to this work. A meeting between UNITAID working group and the PSC is scheduled by mid-September and the roadmap is scheduled to be presented to both Boards before the end of the year.
20. Relationship with the Islamic Development Bank: The Chair received a confirmation that the Fund to fight poverty has been launched by the Islamic Bank of Development, and that the IDB agreed to work with UNITAID on the 3 diseases. No technical work has started yet.

21. Contact with the HCR: The secretariat informed the Board of contacts between UNITAID Chair and the High Commissioner for Refugees. Board members considered such contacts premature.
22. Global Subsidy for ACTs: A proposal should be disseminated to the partners by the end of July. The expected date for the launch is November 2007. The position of the Global Fund and potential collaboration UNITAID / GF would need to be explored.
23. UNITAID first birthday celebration: The communities proposed an initiative in order to increase awareness of UNITAID in countries such as China, India, South Africa, Russia or Mexico. The Gates foundation proposed to make links with its own grantees working on visibility issues. The Chair asked the Secretariat to work with the Communities and other Board members to organize a special initiative for the first birthday celebration.
24. Communication policy: The Executive Secretary informed Board members that a communication strategy proposal, including financing aspects, will be submitted to the next Board for decision.
25. Next Board: The next Board meeting will convene on Tuesday October 9<sup>th</sup> in Geneva.

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