

SUBJECT: PARTNERS' ENGAGEMENT FRAMEWORK &
SECRETARIAT BUDGET 2021-2020

Agenda item: 02b

Category: For Decision

Section A: Executive Summary

Context

This paper requests the Gavi Alliance Board to approve the bi-annual budget related to the Partners' Engagement Framework (PEF) and the Secretariat Resources for the fiscal years 2021 and 2022, subsequent to the Audit and Finance Committee (AFC) recommendation.

In light of the COVID-19 pandemic, the Board has reinforced the priorities for Gavi 5.0 to ensure that we leave no one behind with immunisation and address the country challenges brought about by the pandemic. Therefore, recalibrated priorities include maintaining, restoring and strengthening immunisation reaching zero-dose children and missed communities, and supporting the timely delivery of COVID-19 vaccines.

Safeguarding domestic financing for immunisation in a fiscally constrained environment to achieve these strategic priorities, all of Gavi's levers will have to be used, including additional investments in Health Systems Strengthening (as per Doc 05b), Partners Engagement Framework (PEF), and Secretariat Resources. This paper specifically addresses the additional resources requested for PEF and the Secretariat.

To deliver this ambitious agenda will require new skills, new capabilities, new partnerships and new resources, therefore, the budget for PEF and the Secretariat over the 5 years of the next strategic periodic will increase by 19% (variance between Gavi 5.0 and Gavi 4.0 budgeted expenditure - excluding Post Transition Support).

PEF: total budgeted amount for Gavi 5.0 stands at US\$ 1,231 million, a 14% increase compared to Gavi 4.0 budgeted expenditure. (When excluding Post Transition Support, which is getting phased out - the underlined growth is 19%). An additional US\$ 60 million is being proposed for partners to support delivery of COVID-19 vaccines in Gavi AMC 92 economies outside PEF as part of the US\$ 150 million COVID delivery cost approved by the Board.

Secretariat: total budgeted amount for Gavi 5.0 stands at US\$ 648 million, also a 19% increase compared to Gavi 4.0 budgeted expenditure.

Budget proposals for 2021 and 2022, for PEF and Secretariat are as below:

- The overall PEF budget request, including all components, is **US\$ 252.5 million** for 2021 and **US\$ 249.8 million** for 2022. This is slightly lower than the Board-approved budget for 2020 of US\$ 255.4 million) because of the phasing out of the post transition support. The envelope allocated to PEF excluding the post transition support is increasing by 5% in 2021 and 6% in 2022 (See Figure 2).
- The **Secretariat budget** request is for **US\$ 128.5 million** for 2021 and **US\$ 132.7 million** in 2022, compared to US\$ 110.3 million for 2020. The increase in 2021 budget (17%) reflects the new skill set and increased capacity required to deliver on Gavi's ambitious 5.0 strategy. Additional financing is aimed at addressing the increased complexity associated with engaging with fragile countries, targeting support at sub national level, reaching zero dose children and providing effective stewardship of larger resources and increased business complexity (See Figure 3).

The Audit and Finance Committee (AFC) has reviewed the budget proposals for 2021 and 2022. The AFC concluded that these decisions can be approved by the Board.

Section B: Partners Engagement Framework & Secretariat Budget 2021-2022 and changes to the Programme Funding Policy

1. Gavi Overview

- 1.1 Figure 1 below provides a summary of programmatic, Secretariat and PEF expenditures for 2021 and 2022. Programmatic expenditure remains the core of Gavi's expenditures, representing 93% of the total expenditure in 2021 and 92% in 2022.
- 1.2 The operating expense (Opex) ratio for 2021 and 2022 is 6.9% and 7.5% respectively, compared to the 6.1% ratio budgeted for 2020. This slight increase of the ratio is primarily due to the following factors:
 - Increase in Secretariat capacity following the Organisational review
 - Impact of FX and one-off expenditure
 - Increased Opex expenditure for Evaluations and Assessments
 - Decrease in PEF programmatic expenditure with the end of the current post transitioning envelope approved by the Board
 - In 2022 the ratio is further impacted by lower Programmatic expenditure forecasted. *Note:* Currently, COVAX AMC expenditures on providing vaccine support to 92 countries have not been included in Programmatic expenditures which should improve the ratios.

- 1.3 Gavi’s objective is to have operating expenses at no more that 7.5% of total expenditure (thus aligning well with other organisations similar to Gavi).

Figure 1: Gavi Framework Expenditure

Cash flow basis All values in US\$ m Full Year Values unless otherwise stated	2020			2021	2022
	Actuals (YTD Sept '20)	Budget (Dec '19)	Projection (Sept '20)	Budget (Dec '20)	Budget (Dec '20)
Programmes (Vaccines & Cash)	1,133	1,756	1,800	1,710	1,568
PEF Programmatic Expenditure	148	237	223	231	228
Total Programmatic Expenditure	1,281	1,993	2,023	1,941	1,796
PEF Operating Expenses	7	19	13	21	21
Secretariat Operating Expenses	65	108	97	119	121
IFFIm Operating Expenses	3	4	3	4	4
Total Operating Expenses (A)	74	130	114	143	146
Of which, Overhead (B)	30	51	46	56	57
FX impact	0	0	4	7	7
One-off expenses	1	2	1	3	5
Total Expenditure (C)	1,356	2,125	2,141	2,095	1,954
Operating Expense Ratio (D=A/C)	5.5%	6.1%	5.3%	6.9%	7.5%
Overhead Ratio (E=B/C)	2.2%	2.4%	2.1%	2.7%	2.9%

Note: the 2020 Budget figure includes the additional US\$ 2 million Procurement fees approved by the Board in June 2020.

2. Partners Engagement Framework

Changes to PEF in Gavi 5.0

- 2.1 Partnerships are the core of the Gavi model. The Partners’ Engagement Framework (PEF) established in Gavi 4.0 leverages the comparative advantage of WHO and UNICEF as well as over 60 different partners providing technical assistance to countries.
- 2.2 Driven by four principles of country centricity, differentiation, transparency and accountability, PEF has succeeded in providing technical assistance to countries to improve coverage, equity and sustainability of immunisation at global, regional and country levels.
- 2.3 While these principles remain relevant, four additional principles have been added to enable Gavi to achieve its ambitious Gavi 5.0 agenda. These include increasing focus on zero-dose children and missed communities, encouraging context appropriate partnerships, embracing partnerships beyond immunisation and striving towards sustainability. To achieve these, amendments to the PEF structure will be required to:
- Focus on the zero-dose agenda along the identify, reach, monitor, measure and advocate framework (IRMMA framework)
 - Consolidate support for the global and regional functions of WHO and UNICEF to address previously scattered funding;

- Tailor global agreements with other institutions who can contribute to the Gavi 5.0 agenda; and
 - Support more targeted investments in innovation and learning with a particular focus towards the zero-dose children agenda.
- 2.4 Due to limited capacity to effect long-term changes to PEF in the context of COVID-19, Gavi will move gradually towards this new structure with 2021 serving as a bridge year with provision for additional surge capacity needed in the context of COVID-19.
- 2.5 The PEF budget proposals are US\$ 252.5 million for 2021 and US\$ 249.8 million for 2022. As seen in Figure 2, Budget for 2021 and 2022 is slightly lower than the PEF Board-approved budget for 2020, This is because the Post Transition Support is now phasing out (US\$ 21.8 million in 2020 versus US\$ 6.2 million in 2021 and US\$ 1.4 million in 2022). When excluding Post Transition support, the 2021 budget represents an overall increase of 5% over the budget in 2020 with a higher increase (15%) in funding for partners at global, regional and country level in Strategic Focus Areas and Foundational Support. An additional US\$ 60 million is proposed to be provided to partners for normative guidance and technical assistance relating to delivery of COVID-19 vaccines outside PEF as part of the US\$ 150 million COVID delivery approved by the Board.
- 2.6 The activities and funding associated with PEF are divided into programmatic related expenditures and operating expenses:
- Programmatic expenditures
 - a) Foundational Support (FS) is funding provided to partners for immunisation related staff and activities at global and regional levels.
 - b) Besides FS, Special investments in Strategic Focus Areas (SFAs) are aimed at providing funding to partners to develop new and transformative approaches and tools in critical programmatic areas e.g. data, supply chain, sustainability and demand.
 - c) Targeted Country Assistance (TCA) provides funding to partners to respond to the specific TA needs of countries.
 - d) Procurement fees for vaccines and the Cold Chain Equipment Optimisation Platform (CCEOP) are budgeted at US\$ 25.7 million in 2021 (approved by the Board in June 2020) and US\$ 27.8 million in 2022 (indicative amount, Board approval will be requested in June 2021 when the MoU9 discussions are completed).
 - e) Additional funding is also included under programmatic expenditures for partnerships in innovation' and post-transition support.
 - Operating expenditures include Gavi's full range of evaluations and assessments. Increased funding is sought to address the future requirements due to the Covid19 situation in countries and advancing the zero-dose learning agenda at country and global levels.

Figure 2: Partners' Engagement Framework Expenditure

Accrual basis	2020			2021	2022	2021	2022
	Actuals (YTD Sept '20)	Budget (Dec '19)	Projection (Sept '20)	Budget (Dec '20)	Budget (Dec '20)	Variance vs. 2020B	Variance vs. 2020B
All values in US\$ m Full Year Values unless otherwise stated							
Targeted Country Assistance	77.0	100.0	102.4	100.0	100.0	0%	0%
Strategic Focus Areas	17.6	29.0	20.4	33.4	33.4	15%	15%
Foundational Support	36.1	36.4	36.6	41.9	41.9	15%	15%
* PEF Partner Support	130.8	165.4	159.4	175.2	175.2	6%	6%
Procurement Fees - Vaccines	-0.5	21.0	21.0	21.0	23.1	0%	10%
Procurement Fees - CCEOP	0.0	4.3	4.3	4.3	4.3	0%	0%
Procurement Fees - Surveillance Equip.	0.0	0.4	0.4	0.4	0.4	0%	0%
Partnerships in Innovation	7.2	24.0	24.0	24.0	24.0	0%	0%
Post Transition Support	10.8	21.8	13.8	6.2	1.4	-72%	-94%
Programme Expenditure	148.3	236.9	222.9	231.1	228.4	-2%	-4%
Evaluations and Assessments	6.9	18.5	13.1	21.4	21.4	16%	16%
Operating Expenses	6.9	18.5	13.1	21.4	21.4	16%	16%
Total PEF Budget	155.2	255.4	236.0	252.5	249.8	-1%	-2%
Total PEF Budget excluding Post Transition Support	144.4	233.6	222.2	246.3	248.4	5%	6%

Note: the 2020 Budget figure includes the additional US\$ 2 million Procurement fees approved by the Board in June 2020.

Appendix 1 provides a more detailed analysis of the PEF expenditures as well as the funds to Partners.

- 2.7 Special Investments in Strategic Focus Areas (SFA) and Foundational Support (FS) are budgeted at US\$ 33.4 million and US\$ 41.9 million respectively for 2021 and 2022. This represent a 15% increase in each category when compared to the 2020 budgets. At a global and regional level, SFA funds will be used to accelerate normative guidance and transformative tools, particularly in reaching zero dose children and missed communities. For example, increased investments will be needed in vaccine hesitancy, gender and differentiated service delivery approaches to reach zero dose children.
- 2.8 FS is long-term funding to WHO, UNICEF, the World Bank, Centres for Disease Control and Prevention (CDC) and the Civil Society Organisation (CSO) Constituency to support key programmatic activities as well as normative standards and guidance at global and regional level. The challenges posed by the Gavi 5.0 and COVID-19 pandemic will require operating in a complex environment with new ways of working and new expertise. Additional funds for global partnerships such as humanitarian organisations, International NGOs will play an enhanced role in light of increased focus on fragile settings. Therefore the proposed budget will increase by 15% in 2021 and 2022 compared to the 2020 budget of US\$ 21.4 million for 2021 and 2022 represent a 16% increase versus the 2020 budget mainly due to delays and deferrals caused by the pandemic for VIS studies. New spending is also required for Gavi 5.0 and the focus on zero-dose and missed communities. This includes starting the Gavi 5.0 Learning Hubs and centralised evaluations and targeted assessments, as seen in the Doc 01g and the PEF element of the recently approved Yellow Fever Diagnostics.

3. The Secretariat

- 3.1 The Gavi Secretariat is responsible and accountable for the day-to-day operations of the Vaccine Alliance, effective stewardship and stakeholder's coordination. Its responsibilities include: mobilising resources to fund programmes; development of strategies and funding policies, country guidance to access Gavi support coordinating programme planning, country applications, reviews, approvals, disbursements and monitoring; measurement and evaluation of progress; legal and financial management; risk assurance, corporate communications, IT and knowledge management and supporting governance through the Gavi Alliance Board and Committees.
- 3.2 The budget request for 2021 and 2022 is to resource the Secretariat to focus on efficiency gains and a high level of fiscal responsibility while dealing with the COVID-19 pandemic and preparing for the Gavi 5.0 operationalisation. Gavi 5.0 requires greater capacity in specialised resources to deliver the zero-dose agenda and strengthen programming and oversight.
- 3.3 An organisational review of the secretariat has been conducted with the support of McKinsey to identify opportunities for efficiency gains and as well as gaps in capacity and resourcing.
- 3.4 The Secretariat budget request is for US\$ 128.5 million for 2021 and US\$ 132.7 million in 2022, compared to US\$ 110.3 million for 2020. The increase in 2021 budget (16.5%) reflects the new skill set and increased capacity required to deliver on Gavi's ambitious equity agenda to reach zero dose children.
- 3.5 The main driver of the increase is Salary and Other staff costs that reflect the outcomes of the organisation review, conducted with the support of McKinsey to identify opportunities for efficiency gains and as well as fill critical gaps in capacity and resourcing. Additional staff positions reflect the increased complexity associated with engaging with fragile countries, targeting support at sub national level, reaching zero dose children and supporting countries to maintain, restore and strengthen immunisation services following the pandemic. In addition, increase in Secretariat capacity is needed to provide effective stewardship of larger resources and increased business complexity. With better capacity, reduction in consultancy is envisioned.
- 3.6 Capital Expenditure: the Secretariat is proposing a capital budget of US\$ 1 million in 2021 and US\$ 0.5 million in 2022 to cover the Secretariat's capital expenditure needs.

Figure 3: Secretariat Expenditure

Accrual basis All values in US\$ m Full Year Values unless otherwise stated	2020			2021	2022	2021	2022
	Actuals (FTD Sept '20)	Budget (Dec '20)	Projection (Sept '20)	Budget (Dec '20)	Budget (Dec '20)	Variance vs. 2020B	Variance vs. 2020B
Salary and Other staff costs	43.0	60.1	56.3	73.0	74.0	21%	23%
Consultancy & Professional Services	12.6	23.6	25.5	21.4	21.2	-9%	-10%
Facility & Office costs	4.6	9.1	8.1	9.7	9.9	7%	9%
Travel, subs & accommodation	0.7	6.0	1.8	5.3	6.0	-12%	-1%
Events & Mtgs	0.5	4.1	1.3	3.1	3.5	-24%	-14%
Other costs	3.2	5.2	4.4	6.1	6.3	17%	21%
Total Secretariat excl. One-off expenditure and FX	64.5	108.1	97.4	118.6	120.9	10%	12%
One off expenditure	0.9	2.2	1.3	2.9	4.7	33%	114%
Impact of Foreign exchange rate assumptions		0.0	3.5	7.0	7.1		
Total Secretariat incl. One-off expenditure and FX	65.4	110.3	102.1	128.5	132.7	17%	20%
Secretariat CAPEX	0.2	0.5	0.3	1.0	0.5	100%	0%

- 3.7 The impact of the COVID-19 pandemic is also reflected in Travel and Events as a result of reduction in travel and virtual meetings during the beginning of 2021.
- 3.8 One off cost related to the organisational review and the delay due to the pandemic is included in 2021 while budget for the Mid-term review and investment in the Portfolio Management project is reflected in 2022.
- 3.9 An anticipated impact of the adverse foreign exchange (USD/CHF) is included in the budget.

Section C: Actions requested of the Board

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

- a) **Note** that the budget for Vaccine, CCEOP and Surveillance equipment Procurement fees for 2022 is provisional and will be presented for Board approval once the MoU9 discussions are concluded.
- b) **Approve**, within the overall amount of US\$ 252.5 million for 2021 and US\$ 249.8 million for 2022 for the Partners' Engagement Framework, the following allocations:
 - i. US\$ 175.2 million each year for PEF Targeted Country Assistance, Special Investments in Strategic Focus Areas and Foundational Support;
 - ii. US\$ 24.0 million each year for investing in Partnerships in Innovation to be administered by the Secretariat;
 - iii. US\$ 21.4 million each year for Impact Assessments and Evaluations to be administered by the Secretariat.
- c) **Approve**, US\$ 128.5 million in 2021 and US\$ 132.7 million in 2022 for Secretariat Resources.

- d) **Approve** US\$ 1 million in 2021 and US\$ 0.5 million in 2022 for capital expenditure budgets.

Annexes

Annex A: Implications/Anticipated impact

Additional information available on BoardEffect

Appendix 1: Details of the Partners' Engagement Framework Expenditure

Appendix 2: Details of the Secretariat Engagement Expenditure