

SUBJECT: **CONSENT AGENDA: PROGRAMME FUNDING POLICY UPDATE**

Agenda item: 02e

Category: For Decision

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Section A: Overview

1. Executive summary

- 1.1. This report proposes changes to the Programme Funding Policy in light of the evolving operating model of Gavi that have been recommended by the Audit and Finance Committee (AFC) at its meeting on 21 October.
- 1.2. Gavi's Programme Funding Policy aims to ensure the prudent management of Gavi resources and commitments. The Policy was first approved by the Board in June 2010 and various amendments have been subsequently adopted.
- 1.3. This proposal entails further modifications to better align with the emphasis on providing support to countries more efficiently.

2. Recommendation

- 2.1 The Gavi Alliance Audit and Finance Committee has considered these changes and recommends that the Gavi Alliance Board:

Approve the amended Gavi Alliance Programme Funding Policy attached as Appendix 1 to Doc 02e.

Section B: Content

2.2 Context

- 2.3 Following approval by the Board of the new Health Systems and Immunisation Strengthening (HSIS) policy in June 2016, the introduction of the Cold Chain Equipment Optimisation Platform (CCEOP), and the emphasis on accelerating vaccine support for new programmes more expeditiously and efficiently, the Secretariat has again reviewed the Programme Funding Policy.

- 2.4 The review has identified further opportunities to streamline the current process for approving funding for programmes. Doing so would accelerate countries' access to Gavi support, while maintaining appropriate safeguards. This is consistent with Alliance KPIs that aim to reduce the time taken from programme approval to disbursement of Gavi support for countries.
- 2.5 In 2012, the Board approved a Programme Funding Envelope mechanism whereby Envelopes are approved by the Board for each year and also for particular purposes (such as IPV and Ebola). Each Envelope establishes an amount from which the CEO or Deputy CEO is authorised to allot funding to individual (country-specific) programmes, following a recommendation from a body empowered by the Board to make such recommendations. The allotted funds can then be disbursed to a country, in tranches as needed.
- 2.6 The Envelope mechanism has operated well since its introduction four years ago. In accordance with the Policy, the Secretariat reports back to the Board (and the AFC) on the utilisation of the Envelopes each half-year. This reporting provides post-facto visibility and has been well received.
- 2.7 Currently, the mechanism can be used for the initial and renewal allotment of funding to all programmes, except new routine vaccine programmes¹ and stockpiles. Such new routine programmes and stockpiles now represent a declining proportion of overall programme expenditure, forecast at about 9% for 2016-2020.
- 2.8 The rationale for the Envelope mechanism not being used to date for new vaccine programmes is that such programmes create an ongoing moral obligation for Gavi to continue its support into the future. Furthermore, no proposal recommended by the Independent Review Committee has been rejected by the Board or Executive Committee since 2009.
- 2.9 If the Envelope mechanism was used also for allotting funding to new vaccine programmes and to CCEOP programmes, this would accelerate the time from IRC recommendation to delivery of Gavi support.

3. Proposed changes

- 3.1 The review identified a number of opportunities for simplifying and improving operational effectiveness which the AFC recommends, as follows:
 - (a) Allow the initial allotment of funding to individual countries to be made through the Programme Funding Envelope mechanism for **new** vaccine programmes (including for use in routine immunisation, stockpiles and campaigns). This would enable the allotment of funding to occur more promptly following IRC recommendations, without having to await a meeting of the Board or Executive Committee.

¹ A vaccine programme in this context means an individual (country-specific) programme for a vaccine already approved for support by the Gavi Board within a Vaccine Introduction Strategy or otherwise.

- (b) Allow the allotment of funding to individual programmes approved under the Cold Chain Equipment Optimisation Platform (CCEOP) to be made through the Programme Funding Envelope mechanism. The CCEOP is a recent initiative, the implementation of which would be streamlined by inclusion of its funding allotments within the envelope mechanism.
- 3.2 The review does not propose any changes to the core areas of the Policy, notably those that require visibility on available resources and expenditure needs into the future, which is important when considering programme funding decisions.
- 3.3 With regard to the Policy's requirement to hold a cash and investments reserve covering not less than eight months' expenditure, a clarification is proposed to recognise that a higher minimum level may be appropriate in times of increased uncertainty, if so decided by the AFC.
- 3.4 The review also proposes some modifications to the Policy text in order to increase clarity, which the AFC recommends.

Section C: Risk implications and mitigation and financial implications

4. Risk

- 4.1 The proposed changes to the policy do not materially alter the amount of residual risk to which Gavi is exposed, because of the existing safeguards already in place. The proposed possibility to increase the Cash and Investments Reserve in times of increased uncertainty could reduce risk.

5. Financial implications

- 5.1 The proposed changes to the policy have no financial implications.

Appendices

Appendix 1: Gavi Alliance Programme Funding Policy

Appendix 1

Gavi Alliance Programme Funding Policy Version 3.0

DOCUMENT ADMINISTRATION

VERSION NUMBER	APPROVAL PROCESS	DATE
1.0	Barry Greene, Managing Director, Finance and Operations	
	Reviewed by: Gavi Programme and Policy Committee	19 May 2010
	Reviewed by: Gavi Audit and Finance Committee	25 May 2010
	Approved by: Gavi Alliance Board	17 June 2010 Effective from: 17 June 2010
2.0	Reviewed by: Gavi Audit and Finance Committee	24 March 2011
	Approved by: Gavi Alliance Board	8 July 2011 Effective from: 8 July 2011
Section 3.5 and Annex 1	Reviewed by: Gavi Audit and Finance Committee	11 April 2012
	Approved by: Gavi Alliance Board	13 June 2012 Effective from: 13 June 2012
Section 4 and Annex 1	Reviewed by: Gavi Audit and Finance Committee	11 April 2012
	Approved by: Gavi Alliance Board	13 June 2012 Effective from: 13 June 2012
Annex 1	Reviewed and recommended by: Gavi Audit and Finance Committee	10 October 2013
	Approved by: Gavi Alliance Board	22 November 2013 Effective from: 22 November 2013
	Next review:	At the request of the Board
<u>3.0</u>	<u>Reviewed and recommended by: Gavi Audit and Finance Committee</u>	<u>(6 November 2015)</u>
	<u>Approved by: Gavi Alliance Board</u>	<u>(2 December 2015)</u>
Section 3.6 and Annex 1	<u>Reviewed and recommended by: Gavi Audit and Finance Committee</u>	<u>21 October 2016</u>
	<u>Approved by: Gavi Alliance Board</u>	<u>7 December 2016]</u> <u>[Effective from: 7 December 2016]</u>
	<u>Next review:</u>	<u>At the request of the Board</u>

1. Purpose

- 1.1. The Programme Funding Policy aims to strengthen the prudent management of Gavi Alliance resources and commitments.

2. Scope

- 2.1. This Policy shall apply to all programme funding decisions.

3. Principles

- 3.1. When Gavi decides to support a country's ~~vaccine or cash~~ programme(s), it normally does so with the intention of maintaining its support for the duration of the country's comprehensive multi-year plan, with the potential to extend that support to subsequent such plans, subject always to an annual assessment of the availability of funding and the performance of the programme.
- 3.2. The performance of each programme is reviewed periodically by Gavi's High Level Review Panel or other body as may be so empowered by the Board; and in years between such reviews, by the Gavi Secretariat based on its routine monitoring of the programme.
- 3.3. As a prerequisite to any programme funding decision, an amount of Qualifying Resources (as defined below) shall be set aside to fully cover all commitments arising in the period from the start of the then current year through the next two calendar years (the Defined Period).
- 3.4. The Secretariat shall provide the Board with a projection of the amounts arising during the Defined Period (per 1 above), in respect of:
 - a) Qualifying Resources available in the defined period; and
 - b) Cash outflows required to meet Gavi Alliance commitments, other than to the new programmes being considered (i.e. to programmes being already supported, including extensions thereof, and workplan and administrative costs) in the Defined Period.
 - c) The remainder (a-b), being the amount available to cover commitments to new programmes in the defined period.
- 3.5. The Secretariat shall also provide the Board with a projection of commitments arising and Qualifying Resources available in the three years subsequent to the Defined Period, so that the Board can take into account the longer-term implications when considering the funding of new programmes.
- 3.6. In addition to the foregoing, the Gavi Alliance shall maintain an unrestricted cash and investment reserve equaling not less than eight months of expected annual expenditure on average over a year, and potentially more than that amount in times of increased uncertainty if so decided by the Audit and Finance Committee. The reserve shall include liquid assets equivalent to not less than three months' expenditure.
- 3.7. The Board may from time-to-time approve a funding envelope from which the Secretariat shall allot funding to individual programmes in accordance with the provisions of Annex 1 hereto.

- 3.8. The Secretariat shall provide timely authorisation and commitments to UNICEF for the purposes of procuring Gavi-funded vaccines, related supplies and cold chain equipment for delivery to Gavi-supported countries through the next calendar year, based on Gavi's then current projections of country needs to be met by Gavi pursuant to existing and expected funding decisions.

4. Definitions

- 4.1. Qualifying Resources, meaning the resources that can be counted for the purposes of covering commitments, shall comprise:

Funds on hand:

- a) Cash and investments of the Gavi Alliance (excluding funds held in the procurement escrow account over which UNICEF has sole drawing rights).

Future inflows expected during the Defined Period from:

- b) Contributions contingent on programmatic expenditure (e.g. AMC contributions)
- c) Expected funding from IFFIm, based on existing donor pledges
- d) Expected grants from the Gavi Campaign
- e) Confirmed contributions to Gavi Alliance (under already-signed agreements or otherwise confirmed in writing)
- f) Expected contributions from existing donors who have not yet confirmed their contributions for the entirety of the Defined Period, based on current contribution levels (i.e. a conservative projection)
- g) Projected investment income.

5. Effective date and review of policy

- 5.1. Section ~~3.4~~ 3.6 of this policy on the cash reserve requirement came into effect on 18 November 2009. Section ~~3.5~~ 3.7 of this policy establishing the funding envelope arrangement and Annex 1 thereto came into effect on 13 June 2012. Section 3.8 of this policy on the provision of authorisation and commitments to UNICEF came into effect on 2 December 2015. All other sections came into effect as of 17 June 2010. This policy will be reviewed and updated as and when required. Any amendments to this policy are subject to Gavi Alliance Board approval.

Annex 1

Funding Envelope

1. The Board or EC may from time-to-time approve ~~a~~ funding envelope~~s~~, to be allotted by the Secretariat in the upcoming calendar year or other period as the Board or EC may specify for the continuation and adjustment of funding for existing programmes and for new ~~cash-and-vaccine-campaign~~ programmes.
2. The Secretariat, acting within ~~that a~~ Board-approved funding envelope, shall during the upcoming calendar year (or specified period):
 - (a) for ~~all~~ new ~~cash~~ programmes ~~and-vaccine-campaign-programmes~~ recommended by an Independent Review Committee or other body as may be so empowered by the Board to recommend funding decisions: allot funding to individual programmes based on those recommendations; and
 - (b) for then existing programmes, including programmes in the first year:
 - (i) allot funding to extend budgets into future years and/or adjust annual budget amounts for individual programmes, as authorised by the CEO or Deputy CEO taking into account the latest results of a programme's performance review, updated timing of implementation and budget utilisation;
 - (ii) adjust budget amounts, as authorised by the CEO or his or her delegate, for price variances, ~~and~~ dose reductions, ~~as well as dose increases not exceeding 5% of the approved amount; and or increases, and updated cost estimates for Health Systems & Immunisation Strengthening (HSIS) and Cold Chain Equipment Optimisation Platform (CCEOP) programmes, provided that any vaccine dose adjustments exceeding 5%, any HSIS adjustments exceeding 5% or any CCEOP adjustments exceeding 10% of the approved amount are based on the recommendations of a body specified in paragraph 2(a).~~
 - (iii) ~~Allot funding for dose adjustments exceeding 5% of the approved amount are based on the recommendations of the IRC or other appropriate body.~~
3. By 'allot funding' is meant that the Secretariat shall, from within ~~the a~~ Board-approved funding envelope, establish a multi-year budget for Gavi support to each programme, and record a liability in accordance with Gavi's accounting policies.
4. The Secretariat shall implement appropriate safeguards for oversight of the funding envelope~~s~~ and reporting to the Board on ~~its~~ their utilisation, including:
 - (a) Following receipt of recommendations of ~~the Independent Review Committee, the High Level Review Panel, or other body empowered by the Board to recommend funding decisions, a body specified in paragraph 2(a),~~ the financial implications of the recommendations shall be assessed by the Secretariat and documented in a report prepared by the Country Programmes and Finance teams. That report shall be provided to the Managing Director – Finance & Operations (instead of to the AFC), for certification that the financial implications are within the Board-approved funding envelope.
 - (b) Following that certification, the funding recommendation shall be reviewed by the CEO or Deputy CEO each of whom is empowered to authorise the allotment of funding to individual programmes, from within ~~the a~~ funding envelope. If that certification is not provided, then the funding recommendations shall be referred to the AFC for review and recommendation to the Executive Committee or the Board.

- (c) Following authorisation by the CEO or Deputy CEO, countries shall be notified accordingly by implementation letter.
- (d) The Secretariat shall report back to the AFC and the Board or EC semi-annually on utilisation of the funding envelopes. This reporting shall summarise the programme funding allotments made by the Secretariat in the previous half-year with regard to ~~the~~ each Board/EC-approved funding envelope.