



Report to the GAVI Alliance Board

21-22 November 2013

Subject:	Consent Agenda: Amendments to the Budget Variance and Programme Funding Policies
Report of:	Barry Greene, Managing Director, Finance & Operations
Authored by:	Tony Dutson, Senior Director, Finance & CAO Dita Mocova, Senior Manager, Financial Operations
Agenda item:	02g
Category:	For Decision
Strategic goal:	Alliance operations

Section A: Overview

1. Purpose of the report

- 1.1 This report proposes changes to the Budget Variance Policy and the Programme Funding Policy to enable certain adjustments to programme budgets to be dealt with through the annual Programme Funding Envelope. It also proposes changes to the Budget Variance Policy to align the Policy with the Business Plan process. The Audit and Finance Committee recommended these changes at its 10 October 2013 meeting.

2. Recommendations

- 2.1 The Audit and Finance Committee recommended to the GAVI Alliance Board that it:

Approve the revised GAVI Budget Variance and GAVI Programme Funding Policies attached as Annex A and B to Doc 02g.

3. Executive summary

- 3.1 Changes are proposed to the Budget Variance and Funding Policies to enable the Secretariat to adjust programme budgets arising from changes to price and dose estimates subsequent to original approval, within the annual Board approved Funding Envelope amount. This would eliminate the current need for the AFC and EC to approve such relatively minor adjustments, consistent with the intended purpose of the Funding Envelope.
- 3.2 In the Programme Funding Policy, the Secretariat proposes that adjustments above a certain threshold are subject to review by the IRC or another appropriate body.

- 3.3 Changes are also proposed to the Budget Variance Policy to refer to “Business Plan” instead of “administration” and “work plan”, for consistency with current practice and terminology.

4. Next steps

- 4.1 The Board is asked to approve the changes.

Section B: Implications

5. Impact on countries

- 5.1 Not applicable

6. Impact on GAVI Stakeholders

- 6.1 Not applicable

7. Impact on the Business Plan / Budget / Programme Financing

- 7.1 Would not impact the amount of programme financing but would streamline the procurement of vaccines and supplies.

8. Risk implications and mitigations

- 8.1 Not applicable

9. Legal or governance implications

- 9.1 Not applicable

10. Consultation

- 10.1 UNICEF Supply division; GAVI Alliance Audit and Finance Committee

11. Gender implications / issues

- 11.1 Not applicable


12. Implications for the Secretariat

- 12.1 The revisions to the Programme Funding Policy will streamline processes.

Section C: Annexes

Annex A: Revised GAVI Alliance Budget Variance Policy

Annex B: Revised Programme Funding Policy

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GAVI Alliance Budget Variance Policy	Version No.: 2.0	Page 1 / 4

DOCUMENT ADMINISTRATION

VERSION NUMBER	APPROVAL PROCESS	DATE
1.0	Reviewed by: GAVI Audit and Finance Committee	23 July 2009
	Approved by: GAVI Alliance Board	18 November 2009
		Effective from: 18 November 2009
		Review: As and when required
2.0	Reviewed and recommended by GAVI Audit and Finance Committee	10 October 2013
	Reviewed and approved by: GAVI Alliance Board	21-22 November 2013
		Effective from: DATE
		Review: As and when required

Budget Variance Policy

1. Purpose

- 1.1. To establish a standing delegation to the Secretariat to spend above board-approved budgets when doing so would avoid inefficiencies and where the overspend is modest.

2. Definitions

- 2.1. Terms found in this policy shall have the same meaning as they do within the GAVI Alliance Statutes and By-laws. Further, the following definitions shall apply:

- ~~“Procurement Programmes” – Support for new and underused vaccine programmes (NVS) and other procurement programmes which may be approved by the Board or Executive Committee from time to time.~~
- ~~“Cash Programmes” – Cash disbursements (either directly to countries or through an implementing partner agency) in support of country-specific programmes, including health systems strengthening (HSS), immunisation services support (ISS), civil society organisation support (CSO), introduction grant for new vaccine support (NVS) and such other programmes which may be approved by the Board or Executive Committee from time to time.~~
- ~~“Work Plan” – The work performed by GAVI’s partner agencies and the GAVI Secretariat to support GAVI-related initiatives.~~
- ~~“Administrative” – Activities associated with operating the GAVI Alliance.~~
- ~~“Vertical Approvals” – Board or Executive Committee approved near-term programme liabilities.~~
- **“Business Plan” – The work performed by GAVI Secretariat and its partner agencies to support GAVI-related activities, and the associated budgets.**

3. Responsibilities

- 3.1. The Chief Accounting Officer is responsible for maintaining a system for identifying, evaluating, monitoring and controlling risks associated with programme liabilities. The **Country Programmes Programme Delivery** Team is responsible for executing the approved programmes through communications with countries and programme partners.

4. Background

- 4.1. As an international public-private partnership, largely supported by the funds from donor governments, the GAVI Alliance takes seriously financial

stewardship. On a bi-annual basis, the Secretariat establishes the GAVI Alliance **Business Work** Plan, which identifies the activities, responsibilities, timeliness and **annual** budgets required to reach the annual milestones of the GAVI Strategic Plan. The **BusinessWork** Plan allocates funds to principal Alliance partners and the Secretariat. ~~On an annual basis, the Secretariat establishes an administrative budget.~~ On an ongoing basis, the Board or Executive Committee approves country-specific and non-country specific programmes. (Collectively, the **"Budget"**). The ongoing management of the Budget and the financial affairs of GAVI require a process to report on a regular basis to the Executive Team and the Board the actual results of operations in comparison to Budget estimates and to establish the process whereby authority is granted to vary from expenditure limits as established in the approved Budgets.

5. Policy

- 5.1. It is the policy of the GAVI Alliance that programmatic, ~~work plan and business plan administrative~~ expenses shall be governed by allocations approved during the budget process and adopted by the Board as an approved budget. However, the Board recognises that in some circumstances, actual expenditures could be higher than budgeted and that the Secretariat should be delegated authority to make expenditures that exceed budgeted amounts if the incremental spend is modest and the purpose reasonable.

~~6. **Procurement programme for vaccines and supplies**~~

- ~~6.1. The following list provides some instances where a modest overspend (variance) on programmatic expenses could be warranted:~~

- ~~• Change of vaccine presentation, e. g. yellow fever 5 dose to yellow fever 10 dose~~
- ~~• Price differences~~
- ~~• Changes due to freight, safety boxes, syringes~~
- ~~• Differences in estimates of vaccines in stock from previous years~~

- ~~6.2. Each year the Board will approve a variance allowance to be applied across all countries for procurement programmes ("**Programme Variance Allowance**").~~

- ~~6.3. The Programme Variance Allowance will be calculated as a percentage of the total Vertical Approvals.~~

- ~~6.4. Approved variances will be offset against the Programme Variance Allowance.~~

- ~~6.5. No individual country shall exceed its annual Vertical Approvals across all of its procurement programmes by more than 20% or US\$ 50,000 whichever is the greater figure.~~

~~6.6. Negative variances will be reported to the Board, and the associated programme liability will be reduced. These variances will not be used to increase the Programme Variance Allowance.~~

~~6.7. Variances in excess of the Programme Variance Allowance or individual country limit must be approved by the Board or Executive Committee.~~

~~6.8. The Managing Director Programme Delivery (or designee) is responsible for approving and monitoring variance per country.~~

6. Budget variance for the ~~business plan work plan and administrative~~ expenses

6.1. The CEO (or designee) is authorised to approve ~~Business Plan Work Plan~~ expenses up to 5% above the ~~total bi-annual~~ annual budget of the Secretariat and Business Plan partners ~~Work Plan~~.


~~6.2. The CEO (or designee) is authorised to approve Administrative expenses up to 5% above the total annual Administrative budget.~~

7. Monitoring and reporting

7.1. The Managing Director Finance and Operations (or his/her designee) is responsible for monitoring the Budgets.

7.2. The Managing Director Finance and Operations (or his/her designee) will provide the following variance reports to the Audit and Finance Committee:


- ~~• On a semi-annual basis, actual-to-budget Administrative expenses, including funds spent under the Variance Policy.~~
- On a yearly basis, actual-to-budget ~~Secretariat and partner Business Plan Work Plan~~ budgets, including funds approved and/or spent under the Variance Policy.
- On a ~~semi-annual~~ **yearly** basis, actual-to-budget/~~forecast~~ Programme budgets.

		
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ANNEX B

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
		Review: As and when required
Section 3.4	Reviewed by: GAVI Audit and Finance Committee	28 October 2009
	Approved by: GAVI Alliance Board	18 November 2009
		Effective from: 18 November 2009
2.0	Reviewed by: GAVI Audit and Finance Committee	24 March 2011
	Approved by: GAVI Alliance Board	8 July 2011
		Review: As and when required
Section 3.5 and Annex 1	Reviewed by: GAVI Audit and Finance Committee	11 April 2012
	Approved by: GAVI Alliance Board	13 June 2012
		Review: As and when required
Section 4 and Annex 1	Reviewed by: GAVI Audit and Finance Committee	22 April 2013
	Approved by: GAVI Alliance Board	11 June 2013
		Review: As and when required

		
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Annex 1	Reviewed and recommended by: GAVI Audit and Finance Committee	10 October 2013
	Reviewed and [approved] by: GAVI Alliance Board	21-22 November 2013
		Effective from: DATE
		Review: As and when required

		
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Programme Funding Policy

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 decisions to approve or endorse new programmes for funding.

3. Principles

- 3.1 As a prerequisite to the approval or endorsement of any new programmes, 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).
- 3.2 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.
- 3.3 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.
- 3.4 In addition to the foregoing, the GAVI Alliance shall maintain a minimum cash and investment reserve equaling eight months of expected annual expenditures.
- 3.5 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.

		
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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

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 of this policy on the cash reserve requirement came into effect on 18 November 2009. Section 3.5 of this policy establishing the funding envelope arrangement and Annex 1 thereto came into effect on 13 June 2012. All other sections came into effect as of 17 June 2010.
- 5.2 This policy will be reviewed and updated as and when required. Any amendments to this policy are subject to GAVI Alliance Board approval.

		
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Annex 1

Funding Envelope

1. The Board or EC may from time-to-time approve a funding envelope, 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 programmes.
2. The Secretariat, acting within that Board-approved funding envelope, shall during the upcoming calendar year (or specified period):
 - (a) for new cash programmes recommended by an IRC: allot funding to individual programmes based on recommendations of the IRC; 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, based on recommendations of the Monitoring IRC, adjust budget amounts for 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**
 - iii. **allot funding for dose adjustments exceeding 5% of the approved amount based on the recommendations of the IRC or other appropriate body**
3. By 'allot funding' is meant that the Secretariat shall, from within the Board-approved funding envelope, for each programme:
 - (a) endorse or adjust the multi-year budget for a programme; and
 - (b) establish or adjust a near-term liability on the GAVI Alliance balance sheet for funding through the then current calendar year and one further year. (This amount is a sub-set of the endorsed multi-year budget).
4. The Secretariat shall implement appropriate safeguards for oversight of the funding envelope and reporting to the Board on its utilisation, including:
 - (a) Following receipt of IRC recommendations, 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 the CEO or Deputy CEO each of whom is empowered to authorise the allotment of funding to individual programmes, from within the funding envelope. If that certification is not provided, then the funding recommendations shall be referred to the AFC for review and recommendation to the EC.

		
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- (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 envelope. This reporting shall summarise the programme funding allotments made by the Secretariat in the previous half-year with regard to the Board/EC-approved funding envelope.