

SUBJECT: PROGRAMME FUNDING POLICY REVISION

Agenda item: 02g

Category: For Decision

Section A: Introduction

- This report proposes changes to the Programme Funding Policy to further simplify and streamline processes.
- The Audit and Finance Committee (“AFC”) recommends that the Board approves these changes.

Section B: Programme Funding Policy revision

1. How programme funding is approved

- 1.1 The Gavi Board established the Programme Funding Policy in 2010, to ensure the prudent management of Gavi resources and commitments. In 2012, the Board modified the Policy to include a Programme Funding Envelope mechanism to streamline and accelerate funding decisions at country level. This delegates to the Secretariat the authority to allot funding – up to a particular total monetary limit (‘Envelope’) – to individual country programmes, following the approval processes established by the Board.¹
- 1.2 The Envelope mechanism has yielded significant acceleration and efficiency as country-specific funding decisions are now made on a continuous basis, instead of awaiting meetings of the Executive Committee or the Board.
- 1.3 Since 2012, the Board has progressively increased the scope of the Envelope mechanism as a result of the satisfactory experience of its functioning, efficiency and effectiveness. In December 2016, the Board extended the scope further, expanding the mechanism to all² programme funding allotments to individual country programmes. This means that the mechanism now applies to all components of programme expenditure included in the Financial Forecast, removing the need to establish a

¹ The Board continues to decide on the overall programmes that Gavi will support, by approving the Vaccine Introduction Strategy, eligibility policy and other specific policies such as the Measles-Rubella strategy, Stockpiles strategy, etc.

² Country-specific funding allotments encompass those for Vaccines, HSIS, and CCEOP. Funding is allotted at the time of initial approval and upon subsequent extension of each country-specific programme.

separate annual Programme Funding Envelope as a sub-component of that expenditure. The Financial Forecast includes an amount for each country programme, whether already approved or anticipated, including for the extension of those programmes throughout the duration of the forecast. The forecast is updated annually, for review by the Audit and Finance Committee (AFC) and approval by the Board.

- 1.4 Accordingly, it is proposed to simplify the Programme Funding Policy so that the (existing) authority of the CEO to allot funding is stated as being within the programme expenditure amount in the Financial Forecast that the Board approves each year (instead of within an Envelope amount that currently the Board must also approve each year). Doing so would eliminate a source of complexity, while maintaining all existing safeguards. The Secretariat shall continue to report back to the AFC and the Board semi-annually on the amounts of funding allotted.

2. Other changes made in this update

- 2.1 Paragraph 4.1 (d) defining the 'future inflows expected during the defined period' has been updated to reflect the dissolution of the Gavi Campaign, and some redundant text has been deleted in Annex 1, paragraph 4(a).

Section C: Actions requested of the Board

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

Approve the amended Gavi Alliance Programme Funding Policy attached as Annex A to Doc 02g.

Annex A

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
3.0	<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>
Section 4.1 and Annex 1	<u>Reviewed and recommended by: Gavi Audit and Finance Committee</u>	<u>[12 June 2017]</u>
	<u>[Approved by: Gavi Alliance Board]</u>	<u>14 June 2017</u> <u>[Effective from: 1 January 2018]</u>

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 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. 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~~ financial forecast 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
~~e) 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 3.6 of this policy on the cash reserve requirement came into effect on 18 November 2009. Section 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~~ Allotment of Funding

1. The Board or EC may from time-to-time approve ~~funding envelopes to be allotted by a financial forecast for a period of between five and ten years within the limits of which~~ the Secretariat is authorised to allot funding to programmes 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 programmes.
2. The Board or EC may also approve programme-specific funding limits from time to time which set a limit on expenditure for specific activities, within the overall forecast amount.
3. The Secretariat, acting within ~~a Board-approved funding envelope~~ the amount provided for programme expenditure in that forecast and as further constrained by any specific limits, shall during the upcoming calendar year (or specified period):
 - (a) for all new 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;
 - (b) and 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; and
 - (ii) adjust budget amounts, as authorised by the CEO or his or her delegate, for price variances, dose reductions, 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 23(a).
- 3 By 'allot funding' is meant that the Secretariat shall, ~~from within 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~~ allotments and reporting to the Board ~~on their utilisation~~ thereon, including:
 - a. Following receipt of recommendations a body specified in paragraph 23 (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 provided for within the ~~Board-approved funding envelope.~~ then current Board/EC-approved financial forecast.
 - 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 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~~ the amounts of funding allotted. This reporting shall summarise the programme funding allotments made by the Secretariat in the previous half-year.