

**SUBJECT:** PARTNERS' ENGAGEMENT FRAMEWORK AND SECRETARIAT AND PARTNERS BUDGET 2018-2019

**Agenda item:** 07

**Category:** For Decision

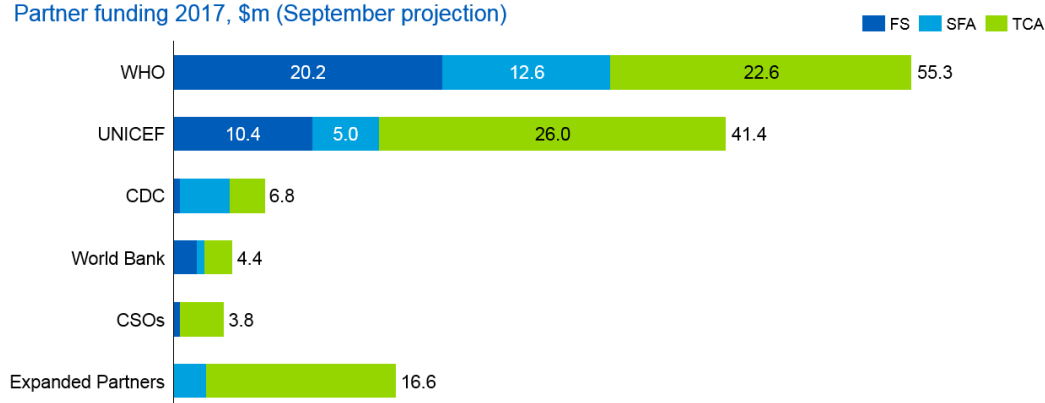
**Purpose**

- This paper provides an update on the Partners' Engagement Framework (PEF) and seeks Board approval of the PEF as well as Secretariat budget for 2018-2019.

**Section A: Partners' Engagement Framework**

- PEF leverages the comparative strengths of Alliance partners and places special emphasis on providing high quality, targeted technical assistance tailored to meet the specific needs of countries.
- PEF's country-centric approach and emphasis on transparency and accountability seek to empower Ministries of Health to take greater ownership for the type and quality of technical assistance being provided through partners.
- Continuous improvement and learning is essential to the PEF model. The future design and implementation of the PEF is being informed by findings from the prospective Deloitte Evaluation of technical assistance as well as recommendations and guidance from the PEF Management Team and feedback from stakeholders.
- Of the US\$ 128.5 million projected to be spent for technical assistance by partners in 2017, 55% relates to Targeted Country Assistance (TCA), 19% to Special Investments in Strategic Focus Areas (SFAs) and 26% to Foundational Support.

Partner funding 2017, \$m (September projection)



- Implementation of PEF TCA began in the latter half of 2016 and gained momentum in 2017. WHO and UNICEF continue to be the main providers of technical assistance although 2017 has seen a substantial increase in leveraging expanded partners.
- Through these expanded partners, newer areas of support critical to progress are being prioritised such as financial management and broader leadership, management and coordination capabilities. Subsequent to the Board recommendation, efforts are also underway to identify and mobilise local institutions, to the extent possible.
- Impressive progress has been made in developing a composite 'one TA plan' per country to harmonise technical assistance provided by both core and expanded partners besides ushering in transparency. The 'one TA plan' initiative has also encouraged some countries (e.g. Chad) to go further and map all technical assistance being received from bilateral donors as well, demonstrating how it can be used to promote a culture of alignment, transparency and country ownership.
- Systematic partner reporting against milestones, on semi-annual basis, has enabled meaningful reviews of partner performance and efforts to enhance accountability for results. Greater focus is now being placed on results as well as ensuring there is more frequent qualitative dialogue around TCA planning and progress at the country level, under the leadership of the EPI team.
- The PEF introduced a prospective evaluation at the inception stage to promote continuous learning and course correction. The TCA Baseline Evaluation report by Deloitte finalised in July provides early insight into the quality and impact of TCA, as well as a comparison with the previous model of providing technical assistance under the Business Plan (2011-2015).
- The evaluation highlights how the new PEF model has brought about significant improvements in country ownership, transparency and accountability, as well as benefits of increased resourcing in partner country offices. It also underscores the potential of moving away from traditional technical assistance approaches to new ways of fostering transfer of skills to countries, benefits of embedded support, higher country-level support in SFAs and provision of technical assistance at subnational level, espoused by PEF as critical to both equitable and sustainable progress.
- The proposed increase in TCA envelope for 2018-2019 is informed by the following considerations:
  - The TCA envelope in 2016 and 2017 has not been adequate to fully meet the technical assistance needs of Tier 3 countries, some of which are fragile;
  - The current TCA envelope is insufficient to expand TCA to subnational level, in particular provinces/districts with high inequities;

- Increased technical assistance is needed in areas such as financial management, broader leadership, management and coordination capabilities, and data in several countries to address issues raised by Programme Capacity Assessments and programme audits;
  - New approaches which foster transfer of sustainable skills would require upscaling;
  - New Alliance priorities such as HPV and more effective use of Measles-Rubella campaigns and outbreak response towards routine immunisation strengthening would entail intensification of technical support in select countries;
  - In 2016, approximately US\$ 10 million from cash grants was approved for country-level technical assistance via partners. To avoid duplication and align all technical assistance at country level under the PEF, use of cash grants for technical assistance is proposed to be minimised going forward.
- As regards Foundational Support, which funds immunisation related global and regional level staff and activities of core partners, the PEF Management Team, in its last meeting, stressed the importance of aligning it with critical Alliance priorities and bringing transparency equal to that of TCA. No increase in Foundational Support is proposed for 2018-2019.
  - Partners also receive time-limited investments for transformative work at global/regional level to drive progress under SFAs. The bulk of this funding has been devoted to the Data SFA with WHO as the largest recipient. This is also the SFA that has proven to be most challenging in terms of vision, pace and alignment. Partners are finalising a results framework and activities in 2018-2019 would be linked with this framework. The proposed budget for SFAs in 2018-2019 would stay at the level of 2017.

## **Section B: Proposed PEF and Secretariat Budget (2018-2019)**

### **1. The Gavi Engagement Framework**

- 1.1 Below is a summary of Gavi's portfolio of investments, which includes Programmes, PEF and Secretariat Engagement expenditure:

	2016		2017		2018	2019
	Budget	Actual	Budget	Projection Nov 2017	Budget	Budget
Cash flow basis All values in US\$m						
<b>Programmes (Vaccines &amp; cash)</b>	1,597.0	1,196.8	1,645.9	1,480.3	1,635.8	1,731.9
<b>PEF Programmatic expenditure</b>	149.8	129.8	157.8	160.4	199.7	209.0
<b>Total Programmatic expenditure</b>	1,746.8	1,326.6	1,803.7	1,640.7	1,835.5	1,940.9
<b>PEF Operating Expenses</b>	19.5	16.2	20.9	20.5	19.3	19.7
<b>Secretariat operating expenses</b>	102.6	93.7	108.6	104.3	115.3	107.8
<b>IFFIm operating expenses</b>	3.8	3.0	3.5	3.5	3.5	3.5
<b>Total Operating Expenses</b>	125.9	112.9	132.9	128.3	138.0	131.0
Adjustment to cash flow basis 16.0						
<b>Total Expenditure</b>	1,872.6	1,455.5	1,936.6	1,769.1	1,973.5	2,071.8
<b>Operating Expense ratio</b>	6.7%	7.8%	6.9%	7.3%	7.0%	6.3%
<b>Overhead ratio</b>	2.6%	3.1%	2.5%	2.7%	2.7%	2.2%

1.2 **Programme expenditure** refers to funding for vaccine and cash-based programmes and is forecast to be in the region of US\$ 1.7 billion per year in 2018-2019. This provides important context to the nature and magnitude of the budgets for PEF and the Secretariat. Further details of the forecast programme expenditure are provided in the separate Financial Update paper.

1.3 The proposed budgets for the **PEF** and the **Secretariat** are detailed further below.

## 2. Partners' Engagement Framework

2.1 The activities and funding associated with the PEF are divided into programmatic related expenditures and operating expenses:

(a) Programmatic expenditures include the three core funding streams of TCA, Foundational Support, and Special Investments in SFAs. Additional funding is also included under programmatic expenditures for UNICEF procurement fees (please refer to Appendix 2 for further details) and 'Partnerships in Innovation'<sup>1</sup>.

(b) Operating expenditures include expenses for Evaluations and Assessments as well as AMC fees. There are no forecasted AMC fees for 2018-2019 due to strong investment income performance.

2.2 In line with previous guidance from the Board, Gavi is focused on containing costs at the regional and global levels relating to partners as well as the Secretariat. Partners' budget at global and regional levels under PEF is thus proposed to remain flat against the 2017 budget with an increase sought only under the TCA (as described in Section A). Other components of PEF are also proposed to remain flat except Partnerships in Innovation where an increase is proposed to leverage the expertise and innovation offered by the

<sup>1</sup> Previously referred to as 'Operational Partnerships'

private sector. This increase is primarily compensated by dedicated resources provided by selected donors for this purpose.

### 2.3 Partnerships in Innovation

Since 2011, with the creation of the Gavi Matching fund, Gavi has been enhancing its private sector approach. Over the past 18 months, the development of private sector partnerships has accelerated due to the impetus provided by the matching funds with the support of the Bill and Melinda Gates Foundation (BMGF) and the government of the Netherlands (US\$ 87 million). This has allowed new partnerships to be developed, ranging from pure financial contributions, to leveraged partnerships combining catalytic private sector funding with deep unique expertise and innovation, to shared value partnerships with joint co-investments with the private sector. Each partnership is wholly aligned to a Gavi Strategic Goal or Strategic Enabler.

In addition, to make sure that countries have access to the most transformative innovations, Gavi launched the INFUSE initiative at the World Economic Forum in Davos 2016. INFUSE creates a marketplace of thoroughly vetted transformative innovations matched with multinational companies to help scale them in interested countries. To support this innovation agenda, the government of Canada and the United Arab Emirates have provided additional funding (US\$ 21.2 million).

Given the strategic importance of these innovations and the acceleration in overall private sector engagement witnessed in 18 months, the plan foresees an increase in expenditure of US\$ 16 million in 2018 and no further increase 2019.

For further information including a description of the governance process for evaluating and approving these investments, please see Appendix 1.

### 2.4 The Evaluation and Assessment budget included as a part of PEF covers independent evaluations, Programme Capacity Assessments and Impact Assessment. No increase is envisaged for 2018 and 2019 compared to the budget for 2017.

## Partner Engagement Framework Expenditure Overview

Accrual basis All values in US\$m	2016		2017		2018	2019
	Budget	Actual	Budget	Projection Nov 2017	Budget	Budget
Targeted Country Assistance	64.5	51.8	69.5	71.0	85.0	95.0
Strategic Focus Areas	26.0	21.5	29.0	24.4	29.0	29.0
Foundational Support	36.4	36.3	36.4	33.1	36.4	36.4
Procurement fees - Vaccines	19.6	18.6	19.6	19.6	19.0	19.0
Procurement fees - CCEOP	3.3	1.6	3.3	2.4	4.3	3.6
Partnerships in Innovation	0.0	0.0	0.0	10.0	26.0	26.0
<b>Programme Expenditure</b>	<b>149.8</b>	<b>129.8</b>	<b>157.8</b>	<b>160.4</b>	<b>199.7</b>	<b>209.0</b>
Evaluations and Assessments	18.9	16.2	20.4	15.6	19.3	19.7
AMC fees	0.6	0.0	0.5	4.9	0.0	0.0
<b>Operating expenses</b>	<b>19.5</b>	<b>16.2</b>	<b>20.9</b>	<b>20.5</b>	<b>19.3</b>	<b>19.7</b>
<b>Total PEF budget</b>	<b>169.2</b>	<b>146.0</b>	<b>178.6</b>	<b>180.9</b>	<b>218.9</b>	<b>228.6</b>

Adjustments to above amounts for Board approval in November 2017:

(A) \$19m of vaccine procurement fees for 2018 was already approved in June 2017

(B) \$2.4m of CCEOP procurement fees for 2018 was already approved in June 2017

### 3. Secretariat Engagement

- 3.1 As regards the Secretariat budget for 2018-2019, no increase is proposed over 2017. Costs of the mid-term review (MTR) and replenishment preparation are proposed to be accommodated within the flat-lined budget of US\$ 108 million. There is however a one-off cost budgeted in 2018 for the move to the Global Health Campus (GHC).
- 3.2 In compiling its budget request for 2018 and 2019, the Secretariat followed a robust process to ensure that the proposed budget provided the Secretariat the necessary capacity to achieve Gavi's strategic goals while focusing on efficiency gains and ensuring a high level of fiscal responsibility.
- 3.3 Increased attention is being paid to achieving more with the same level of human and financial resources. Expenditure on travel, professional fees, events, meetings and facility costs are being monitored closely to realise greater value for money. Team structures, systems and processes are being reviewed to foster synergies and effect cost-savings. Careful prioritisation at the team level and improved knowledge management tools are contributing to internal efficiencies. The Resource Mobilisation team has been restructured to encompass private sector partnerships, the Communications and Advocacy & Public Policy teams have been brought together, and the Monitoring and Evaluation team now seamlessly combines monitoring, evaluation and data systems.
- 3.4 This has allowed the Secretariat to absorb the costs for the MTR and replenishment preparation in 2018-2019.
- 3.5 The Secretariat budget needs are estimated at US\$ 108.2 million in 2018 (a reduction of approximately US\$ 0.4 million over the 2017 budget) and US\$ 107.8 million in 2019 (a further reduction of approximately US\$ 0.4 million). An additional one-time allocation of US\$ 7.1 million is budgeted in 2018, for costs associated with relocation of the Geneva office to the GHC.

- 3.6 Appendix 3 provides more detailed analysis of Secretariat expenditure, including distribution by department and composition of Gavi's one-time investments associated with moving to the GHC (in 2018).

### Secretariat Expenditure, Overview

Accrual basis All values in US\$m	2016		2017		2018	2019
	Budget	Actual	Budget	Projection Nov 2017	Budget	Budget
Salary and other staff costs	57.5	47.6	62.2	52.6	59.1	60.2
Consultancy & professional services	18.7	23.3	19.3	27.1	23.7	22.9
Facility & office costs	12.4	11.4	12.4	11.5	10.3	9.4
Travel costs	5.5	5.3	5.8	5.7	6.0	6.1
Events & meetings	4.0	2.8	4.2	3.0	3.8	3.9
Other costs	4.5	3.3	4.7	4.4	5.2	5.2
<b>Secretariat, excl. Health Campus</b>	<b>102.6</b>	<b>93.7</b>	<b>108.6</b>	<b>104.3</b>	<b>108.2</b>	<b>107.8</b>
<b>Health Campus one-time costs</b>					<b>7.1</b>	
<b>Capital expenditure*</b>	<b>2.6</b>	<b>3.4</b>	<b>1.7</b>	<b>1.5</b>	<b>2.5</b>	<b>1.0</b>
* The annual depreciation of capital expenditure is included in Secretariat facility and office costs						
<b>Amounts for Board approval</b>		<b>Operating Expenses</b>			<b>115.3</b>	<b>107.8</b>
		<b>Capital Expenditure</b>			<b>2.5</b>	<b>1.0</b>

### Section C: Actions required of the Board

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

- (a) **Approve**, within the overall amount of US\$ 218.9 million for 2018 and US\$ 228.6 million for 2019 for the Partners' Engagement Framework, the following allocations:
- (i) US\$ 85 million in 2018 and US\$ 95 million in 2018 for Targeted Country Assistance;
  - (ii) US\$ 29 million annually for 2018 and 2019 for Special Investments in Strategic Focus Areas
  - (iii) US\$ 36.4 million annually for 2018 and 2019 for Foundational Support;
  - (iv) US\$ 19 million in 2019 for UNICEF Supply Division for fees to implement vaccine and related supplies procurement;
  - (v) Up to US\$ 1.9 million in 2018 (in addition to the US\$ 2.4 million already approved for 2018 by the Board in June 2017) and US\$ 3.6 million in 2019 for UNICEF Supply Division for fees to implement cold chain equipment;
  - (vi) US\$ 26 million annually for 2018 and 2019 for investing in Partnerships in Innovation to be administered by the Secretariat;

- (vii) US\$ 19.3 million for 2018 and US\$ 19.7 million for 2019 for impact assessments and evaluations to be administered by the Secretariat;
- (b) **Approve**, US\$ 115.3 million in 2018 and US\$ 107.8 million in 2019 for Secretariat Engagement;
- (c) **Approve**, US\$ 2.5 million in 2018 and US\$ 1 million in 2019 for capital expenditure budgets to implement the Secretariat's part of the Gavi Engagement Framework.

### **Additional information available on BoardEffect**

**Appendix 1:** Partnerships in Innovation

**Appendix 2:** Vaccine and CCEOP Procurement Fees (provided by UNICEF)

**Appendix 3:** Details of the Secretariat Engagement budget

In addition, the detailed PPC paper on PEF and AFC paper on the PEF and Secretariat budget are available on BoardEffect in the October PPC and AFC meeting books.