

Gavi CSO funding mechanism

Financial Guidance:

Principles of reporting

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Introduction

This document presents the basic guidelines for financial reporting covering the Gavi CSO Fund (the Fund). Grantees may complete their own financial management and financial reporting according to their own finance manual, however all financial reporting, forecasting and budgeting under the Fund must comply with the requirements outlined within this document in order to remain eligible for funding.

Gavi policy is to allow grantees flexibility where possible in their own financial management, and places responsibility for the policies adopted on the grantees themselves. However, budgeting and reporting must be on a consistent basis across the Fund. This guidance informs grantees on what that basis is, and provides worked examples based on past experience of where confusion may arise.

Legal framework

The relationship between the Fund and grantees is governed by the grant agreement signed between the fund manager and the grantee. The grant agreement sets out the general terms and conditions which apply to the Gavi grant awarded to the grantee.

The grant agreement, and this financial guidance, sits within the wider Gavi framework for management of funds. In particular the Fund is required to align with Gavi's Transparency and Accountability Policy (TAP). The TAP requires organisations in receipt of Gavi funding to maintain financial management systems acceptable to Gavi. An organisation's financial management arrangements are considered acceptable if its budgeting, financial management, accounting, internal controls, financial reporting and auditing arrangements adhere to the following:

- Are capable of correctly and completely recording all transactions and balances relating to the programme
- Delegate authority and responsibility for budgetary ownership and project management
- Instigate fiduciary discipline and accountability for expenditure against budget on an ongoing basis
- Facilitate the preparation of regular, timely and reliable financial reports
- Safeguard the programme's assets and
- Are subject to auditing arrangements acceptable to Gavi.

These arrangements will be confirmed at the due diligence stage of the grant. Grantees should be aware that the grant agreement may contain special conditions as an annex which relate to strengthening measure required as a result of the due diligence findings. To remain

eligible for Gavi funding, these conditions should be met according to the timescales in the grant agreement.

Financial obligations of the grantee

As set out in grant agreements, grantees must fulfil their responsibilities to Gavi in order to remain eligible to receive Gavi funds. Under the terms of the grant agreement, the grantee must:

- Take full responsibility for the implementation of the project in accordance with the application submitted
- Implement the Project with an appropriate level of efficiency, transparency and diligence, mobilising the necessary financial, human, and material resources required for full implementation of the project as specified in the application
- Act alone or in partnership with associations or other bodies identified in the application. The grantee will complete assessments/due diligence on any proposed sub-grantees, and they shall be subject to the same terms as the grantee set out in the grant agreement. Even where sub-grantees exist, the grantee remains the sole entity responsible for project implementation and expenditure.
- Promptly inform the fund manager in writing, of any condition which interferes or threatens to interfere with successful implementation of the project.

Basis for accounting

Expenditures under the grant must be accounted for on a cash accounting basis. Many grantees will be required to report their organisation's own financial statements on an accruals basis, but all reporting under this Fund will be on a cash basis.

The cash basis requires that grantees recognise transactions and events only when cash (or cash equivalents) are received or paid by the entity. Timing of the recording of transactions will match the cash received or paid when entering or leaving the control of the reporting entity.

This basis must be noted when budgets are being finalised. The timings of transactions such as salaries or rent will not correspond to when services are used or work is being completed. As such, grantees must exercise caution when setting budgets, in order to protect themselves from budgeting for ineligible expenditure.

Grantees must account for advances and expense them only when they are supported by proper reports of expenditures, so as not to overstate actual grant expenditures incurred. Advances should not be simply regarded as expenditure as soon as funds are disbursed. The balance of un-expensed funds should include both cash/bank balances and advances unaccounted for. Additionally, a separation should be made between the two.

When considering this cash basis, grantees should also read the section below on transactions with partners.

Transactions with sub-grantees

The budget and all financial reports are to be based on the expenditure of the Gavi project not the spending of the grantee.

In many cases, grants from the Fund will be based on a grantee working with local implementing partners/sub-grantees. When reporting, it is essential that grantees record all expenditures on the activities of the project, rather than just recording transfers made to the sub-grantee. For example:

Grantee A is working with sub-grantee B to deliver a project in Zimbabwe. During Q1 2024/25 Grantee A transfers a lump sum payment of \$10k to its sub-grantee, of which the sub-grantee spends a total of \$8k. When reporting to Gavi the grantee should report spending of \$8k on the project – this may therefore be different to the recording within their own internal financial reports.

There can be uncertainty over what counts as the end use of funds on a project, particularly in reference to sub-contracting. Where a grantee makes payment for services over a period of years to a local provider who is integral to the project then the substance of the relationship may be similar to a partnership – in this example the grantee should consider whether they are reporting the payment to the subcontractor or the expenditure of the subcontractor. The decision will depend on how the project was originally designed. In the original proposal and budget each project has a prime grantee and list of named sub-grantees/partners on the project. The expenditure of sub-grantees should be recorded as:

- Payments and transfer of funding to named sub-grantees on the project are not recorded as project expenditure. The actual expenditure of the partners should be recorded against budgets.
- Payments to sub-contractors or service providers who are not named in the grant agreement should be recorded against the budget.

For this reason, it is important to consider at the project design stage who should be considered implementing partners on a grant. Further guidance on the classification of partners can be found on the Gavi website within the document - **Budget classification & management**.

Use of funds

Eligibility

Cash disbursed to grantees must be used solely to fund Gavi's programme activities and eligible expenditures in line with the activities and budget set out in the approved application, and as specified in the grant agreement and Gavi budget.

Any ineligible expenditures charged to the grant must be repaid to Gavi. Ineligible expenditures are those expenses incurred which have been found to not be compliant with the signed grant agreement and/or the appropriate financial and procurement procedures of the implementer/grantee.

Principle of value-for-money

Gavi wishes countries to achieve as much 'health-for-the-money' as possible. Gavi funds should be used efficiently to achieve maximum value-for-money and, as such, Gavi adopts the principle that its funds should pay for the reasonable cost of an activity, but no more. If an amount is expended on an activity above such reasonable cost, Gavi would reserve the right to deem such expenditure ineligible for funding.

Sustainability

Gavi funds are designed to support countries over a period of time, but ultimately the country should transition away from Gavi funds and support itself. Therefore, a consideration of Gavi support, as reflected in the requested budget mix, is the extent to which the funded activities are sustainable in the future.

Reporting periods

During application for a grant, the fund manager will provide a standardised template to be used in budgeting, forecasting, and financial reporting. All financial reporting to be completed under the project will be through these templates.

Financial years for budgeting and reporting

All grants will follow a consistent calendar year accounting. The budgeting and reporting cycle will be based across the following four quarterly periods:

- January – March
- April – June
- July – September
- October - December

These periods may differ from the project year, or from the financial year of the delivery country, however they have been set so as to be consistent across all grants under the fund.

The cycle of financial reporting is as follows:

REPORT NAME	Deadline
Financial Report - Quarter 1	14 May
Financial Report - Quarter 2	14 August
Financial Report - Quarter 3	14 November
Financial Report - Quarter 4	14 February
Project Completion Final Report	60 days after the end of the final quarter

Reporting is completed according to the standardised template. On a quarterly basis, grantees will be required to submit both a detailed transactions listing for the quarter most recently completed, as well as a forecast for the remaining period in the financial year.

Working capital allowance

Disbursements can only be made once the previous quarter’s financial report has been submitted to the fund manager and approved. Since submission is expected 45 days after the end of the quarter, there will be a minimum period of two months between the end of one quarter and the disbursement of funds for the following quarter.

The Fund recognises that grantees may have limited internal resources to allow them to finance any gaps between receipt of Gavi funding. As such, all grantees will receive a ‘working capital’ allowance of 10% of the total grant value. The allowance is paid in the first disbursement and is deducted from the final disbursement.

End of project expenditure

At the end of the project there will be a final Project Completion Financial Report (PCFR). This final report is required no more than 60 days after the closure of the project.

By default, all expenditure is reported on a cash basis and expenditures under the project are only eligible if they take place during the life of the project as set out in the grant agreement. There is however an exemption to this for specific end of project expenditures.

Where expenditure relates to project-end monitoring, evaluation and learning activities then it is understood that these activities may take place at the very end of the project. It is good practice for grantees to pay consultants after all inputs have been completed and the final

product can be approved, but in the case of monitoring and evaluation this timing means that payment will often take place after the project has closed. For most expenses this would mean that the cost could not be reclaimed by the grantee, however grant agreements allow monitoring and evaluation costs to exceptionally be claimed.

In these cases project expenditure may still remain eligible as long as it meets the following criteria:

- Funds relate only to project closure activities covering monitoring, evaluation and learning
- All activity must have taken place during the project lifetime (only the cash payment remaining outstanding after the end of the project)
- Expenditure must be included within the final financial report to be valid.

Audit requirements

External audit

All grantees are required to undergo their own independent external audit – in most cases this is expected to be a statutory requirement for most organisations already. The independent auditor must be appropriately qualified and should be periodically rotated in line with best practice.

Audit reports should be submitted to the fund manager no more than six months following the end of the reporting period.

Reports must be submitted for all periods in which Gavi funds have been expended, in some cases this will mean submission of reports following the end of the programme. Gavi expects grantees to still meet this requirement even after the grant is no longer live.

Project audit

The fund has a rolling programme of project level audits. These will be based on the transactions reported in grantee's quarterly financial reporting.

Audits may be completed remotely or involve an on-site visit to the offices of the grantee. Grantees are required to provide the auditors with all reasonable assistance in completing the project audit, including allowing access to project sites, provision of required supporting documentation, and facilitating the same access in regard to the transactions of any implementing partners.

Pooled funding / matching funds

In some cases, grantees may wish to utilise other sources of funding to support their Gavi project. This additional support could come in the form of pooled funding or matched funding from another donor, or from the organisation's own resources and fund-raising activities.

While Gavi would encourage seeking to scale-up project activities in this way, other sources of funding must always be separable from each other. As such, Gavi funds should not be treated as pooled, and only Gavi funding will be included in the budget and financial reporting.

Fraud, bribery, corruption, and misuse of funds

The fund manager, in line with the requirements of Gavi's Transparency and Accountability Policy, is required to monitor compliance and investigate any case of suspected fraud and misuse of funds.

Grantees are responsible for reporting any cases of suspected or actual fraud to the fund manager without delay. We recognise that full facts or investigation of the case will not have taken place at this point, however it is important to submit the report and notify the fund manager as a first step.

This guidance applies to any fraud in which Gavi funds may be involved, as such fraud taking place in partners will be treated in the same way as cases involving the grantee themselves.

The fund manager will work with the grantee to investigate cases to the point of closure.

In cases where the investigation reveals evidence of misuse or fraud, the grantee will be responsible for repaying any losses to the Fund. Grantees must be aware that this remains the case even if the fraud was committed by a partner, and as such they are at risk of their partners' actions.

The fund manager may, at its own discretion, take follow-up action in the case of fraud. In most cases these actions are likely to be strengthening measures by the grantee. There will also be the potential to suspend the grant formally, or to terminate the grant in cases where corrective action is unlikely. All cases will be reported to Gavi by the fund manager.

The fund manager operates a confidential whistleblowing service through an external provider. If any grantee staff or stakeholders would prefer to report suspicions of fraud (or safeguarding concerns) confidentially then the link to the whistleblowing service is available on the [MannionDaniels website](#) under Whistleblowing policy.