

Transparency and Accountability Policy Implementation in 2009 & 10

Background

The Alliance and Fund Boards adopted a Transparency and Accountability Policy (“TAP”) for cash-based support in June 2008. This policy, which will take effect as of 1 January 2009, aims to significantly reduce the fiduciary risk of GAVI cash transfers and increase the effectiveness and return on investment of GAVI’s cash support. The policy is crafted with due regard to GAVI’s commitment to flexible, country-driven planning and programme implementation. The policy will:

- Rely and build on existing country capacity to the greatest extent possible, ensuring alignment with country systems.
- Be consistent with the commitments of the Paris Declaration on Aid Effectiveness.
- Promote mutual accountability by encouraging assessments of progress in implementing GAVI support.
- Apply a country-by-country approach to reduce fiduciary risks in a manner which is equitable and transparent.
- Be based on a set of minimum standards for the management of GAVI cash funding:
 - a) Funding should be used for objectives stated within a proposal.
 - b) Funds must be managed in a transparent manner, and accurate and verifiable financial reports should be provided on a regular basis, as specified by individual funding arrangements.
 - c) Funds must be managed within accounts that meet national legal requirements for auditing, accounting and procurement.

Beyond these minimum standards, the policy does not establish strict expectations for how countries must channel and manage their GAVI support. They are strongly encouraged to use the most harmonised and aligned financing mechanism available. Countries are expected to fall within three broad groups:

- 1) those relying on joint financing mechanisms,
- 2) those not utilising joint financial mechanisms for managing donor funds, and,
- 3) those countries with suspected or verified misuse of funds.

Based on the financing mechanism that a country selects and the outcome of a financial management assessment (“FMA”), GAVI will determine if any additional fiduciary assurances are needed, and negotiate an aide memoire with the government.

Key elements of the implementation plan

Over the past three months, the GAVI Secretariat has worked to develop an implementation plan for the approved TAP, with extensive feedback from development partners and GAVI-eligible countries. The implementation plan for the TAP is attached in Annex 1, and is based on four core components:

- 1 Strengthened application, reporting and review procedures: Countries will be required to provide additional information on the financial management of GAVI cash support in

applications and annual progress reports. Compliance with enhanced financial monitoring and reporting requirements will be a condition for GAVI support. GAVI will ensure that the Independent Review Committee includes experts in country financial management to allow for full scrutiny of financial management sections in each proposal and report.

- 2 The financial management assessment (“FMA”): the FMA is a tool that will allow GAVI to gather information on eligible countries’ public financial management systems, with particular emphasis on the health sector, in order to evaluate the potential risks for management of GAVI funds. The findings of this assessment will help eligible countries identify the best financing mechanism(s) to manage GAVI cash transfers, and allow GAVI to determine what additional fiduciary assurance activities (if any) are needed in order to rely upon the selected financing mechanism. The FMA will be informed by, and benefit from other financial management assessments carried out in the country and/or the health sector. In some countries, GAVI’s FMA could also serve as a resource for other development partners funding activities in the health sector.
- 3 The early warning system: A risk-based model that will provide regularly updated information on countries and their cash-based awards, in order to detect potential risks early on. It will be updated twice per year.
- 4 Protocol to respond to misuse of GAVI funds: Standardised procedures that will allow GAVI to rapidly and effectively deal with allegations of misuse of funds.

Of the four main components of the implementation plan, the FMA will prove the most labour-intensive and will require additional capacity, and the full support of partners and countries.

Feedback on the FMA

The Secretariat has discussed the FMA with countries and other partners in great detail, and has explored multiple scenarios, ranging from relying exclusively upon partner agencies to outsourcing all FMAs to consultancy firms. Key points from these consultations are summarised below.

Eligible countries: in just over three months, the Secretariat has conducted 20 individual consultations with countries and hosted briefing sessions on the TAP at four WHO Regional Committee meetings. The majority of countries welcomed GAVI’s Transparency and Accountability Policy, seeing it as an opportunity to streamline GAVI support with national systems and procedures. However, all stressed that GAVI should avoid creating procedures that limit countries’ flexibility in programming their funds. Other key points from the consultations can be summarised as follows:

- GAVI’s TAP is overdue; many other donors have already introduced similar policies.
- Many countries expressed interest in exploring more aligned systems for management of GAVI funds in the future.
- Countries with limited financial management capacity in the health sector welcomed the FMA as an opportunity to catalyse improvements in the sector.
- In some countries, development partners have already conducted reviews within the health sector that may be very similar to the GAVI FMA. GAVI should rely heavily on these assessments.
- As developed, GAVI’s TAP will support ownership and build upon individual countries’ systems and preferences.
- GAVI should remain flexible when it comes to the timing of each FMA.

- In many countries, channelling GAVI funds through Ministry of Finance accounts could create substantial delays in programme implementation. The best option may be to use accounts in the Ministry of Health.

Development partners: in early discussions on the policy, UNICEF and WHO both clearly communicated that they would not be able act as service providers for FMAs or other fiduciary functions. GAVI Management also explored this possibility with The World Bank. Although the Bank has great comparative advantage in this area, Bank senior management ultimately indicated that it could not take on the responsibility for conducting FMAs on GAVI's behalf. They did, however, emphasise the necessity for these assessments, citing management of cash transfers as the single highest area of risk for the GAVI Alliance¹. The World Bank has offered to support GAVI as much as possible in this endeavour. For example, The Bank conducts assessments of countries' national public financial management systems and presents the findings in Country Financial Accountability Assessment (CFAA) reports. The Bank encouraged GAVI to use these reports as resources when conducting FMAs, and has agreed to provide them at GAVI's request. CFAA reports are of particular interest to GAVI, as some may contain detailed chapters on practices within the health sector.

The Public Expenditure and Financial Accountability (PEFA) Secretariat²: PEFA is a partnership between the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund. PEFA conducts comprehensive evaluations of countries' national public financial management systems, and has encouraged GAVI to use its reports to guide GAVI FMAs. PEFA also recommends that GAVI conduct follow-up FMAs every three years, rather than every two as currently stated in the policy, as biennial assessments will likely prove unfeasible and unnecessary.

Options to phase in the FMA

Given that partner agencies will not be able to conduct FMAs on GAVI's behalf, Management has reviewed the benefits and drawbacks of either building internal staff capacity, or fully outsourcing FMAs to external consultants. Complete reliance on consultants would not only prove costly but it would not allow GAVI to build the knowledge base necessary for a consistent and responsive approach. The World Bank raises this as an issue and concurs that GAVI should build internal capacity. Thus, Management strongly recommends that GAVI recruit and hire additional staff with expertise in country public financial management, and has reviewed two potential staffing scenarios that will impact the rate at which the FMA is phased in:

1. **“Full” implementation:** This option will require four additional staff members. It will also utilise technical assistance³, although less so in the long-run. It will take a minimum of two years to conduct FMAs in all countries.

Assumptions:

¹ This and other outcomes of the World Bank review will be discussed at the Board meeting.

² PEFA aims to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability. <http://www.pefa.org/>

³ Technical assistance will likely be needed to conduct FMAs for those countries where little information exists (e.g. no other assessments such as the PEFA or CFAA) or where the process is expected to be more difficult (e.g. India). The consultants hired to provide technical assistance will do additional research before the Secretariat staff arrives and will stay on throughout the duration of the FMA. Technical assistance has also been budgeted to conduct external audits in 2010 if needed. TA allocations are notional will be adjusted according to actual need and circumstances in country.

- Allows GAVI to conduct a maximum of 41 FMAs in 2009 and 32 in 2010.
- It may require as little as two years to phase in FMAs in all eligible countries.
- Rapid implementation will help to minimise risk.
- Possibility to conduct FMAs for all new proposals as well as some existing, “higher risk” programmes in the first year.
- Allows GAVI to react to new situations.
- Will cost approximately US\$ 6.1 million over the 2009-10 period.

Risks:

- More costly, at least in the short run.

2. “Selective” implementation: This option would only require three additional staff members, and will depend on a greater amount of technical assistance.

Assumptions:

- Allows GAVI to conduct a maximum of 31 FMAs a year.
- It would take at least three years to introduce the FMA in all eligible countries.
- Will cost approximately US\$ 5.4 million over the 2009-10 period.

Risks:

- Existing staff capacity will be stretched and Secretariat may have limited ability to react to new situations.
- If GAVI conducts FMAs for new programmes first, it is unlikely that FMAs can be conducted for existing programmes in 2009, even if they are “higher risk.”

In order to most effectively mitigate risk and ensure capacity to respond to unanticipated situations, Management proposes that GAVI pursue option 1: “full” implementation. This option is reflected in the implementation plan attached in Annex 1. The Boards should note that GAVI will rely upon its partners to conduct or assist in conducting FMAs whenever possible.

Decisions requested of the Board

The GAVI Alliance & Fund Boards are requested to:

- Endorse the attached implementation plan (see Annex 1).
- Endorse the “full implementation” option to phase in the financial management assessment (see page 4).
- Agree that follow-up FMAs should be conducted every three years (at a minimum), rather than every two years, as currently stated in the policy.

The Transparency and Accountability Policy Implementation Plan

As a reminder, the core elements of the implementation plan are:

1. Strengthened application, reporting and review procedures.
2. The financial management assessment (“FMA”).
3. The early warning system.
4. Protocol to respond to misuse of GAVI funds.

1. Strengthened application, reporting and review procedures

- A. **Updated requirements for new applications:** countries that apply for any GAVI cash support using the application form will be required to provide additional detail information on the system for managing GAVI funds, including provisions for auditing and procurement. If the country’s financial management assessment (“FMA” - refer to description below) is completed before the new proposal is submitted, it will capture information on the country’s system for funds management.
- B. **Updated requirements for monitoring and reporting:** countries that report to GAVI on a yearly basis using the standard annual progress report tool will be required to provide details on funds management in the previous year, and any changes planned for the subsequent year of support. They will also be required to submit annual audit reports on the use of GAVI funds, certified by the national auditing authority or an external audit firm. If an FMA (see below) has been completed before the annual progress report is submitted, the assessment report and corresponding documents will be submitted to the Independent Review Committee. If the financial management assessment has identified any areas that require strengthening or additional assurance activities needed (i.e. compliance checks or audits), countries will be required to report on these issues in subsequent annual progress reports.
- C. **The Independent Review Committee:** GAVI will recruit at least two additional experts in public financial management to serve on each IRC team. They will be responsible for evaluating the financial management sections in each country proposal and annual progress report. The financial management sections will also be pre-reviewed by Transparency and Accountability Officers. IRC members will be briefed on the status of FMAs and the public financial management practices in individual countries, in order to assist them in the review process.

2. The financial management assessment (“FMA”)

- A. **Purpose of the FMA:** the FMA is a tool that will allow GAVI to gather information on eligible countries’ public financial management systems, with particular emphasis on the health sector, in order to evaluate the potential risks for management of GAVI funds. The findings of this assessment will help eligible countries identify the best financing mechanism(s) to manage GAVI cash transfers, and allow GAVI to determine what additional fiduciary assurance activities (if any) are needed in order to rely upon the selected financing mechanism. The FMA will be informed by, and benefit from other financial management assessments carried out in the country and/or the health sector. In some countries, GAVI’s FMA could also serve as a resource for other development

partners funding activities in the health sector.

- B. **Scope of the FMA:** the FMA will allow GAVI to gain an understanding of each country's system for public financial management, primarily at the health sector level and with specific emphasis on those elements which will be used to manage and safeguard GAVI funds. The FMA will focus on the following key areas⁴:

- i. Credibility of the budget
- ii. Comprehensiveness and transparency of the budgeting process
- iii. Policy-based budgeting
- iv. Predictability and control in budget execution
- v. Accounting, recording and reporting
- vi. External scrutiny and audit.

For each of the above areas, countries will receive a risk ranking of “high,” “significant,” “moderate,” or “low.” These rankings correspond to those used in both the World Bank and PEFA systems.

- C. **The FMA framework:** the FMA will be divided into two stages, summarised as follows:

- a. The “desk review” will examine findings from existing assessments and other diagnostic work, in order to gather as much information as possible on both national and health sector public financial management practices. The desk review will allow GAVI to sharpen the focus of the in-country review.
- b. The “in-country review” will consist of a review of public financial management practices at the health sector level, and will gather information on the six key areas noted above. The review will be conducted primarily through meetings with Ministry of Finance and Ministry of Health officials and development partners. It will allow the participants to discuss and verify findings from the desk review and to better understand the strengths and weaknesses of the country's preferred option to manage GAVI cash transfers. The in-country review will vary in intensity, based upon the amount of information that already exists and with consideration for other processes or reviews (e.g. IHP) that may be in progress in the country.

D. **Procedures for conducting FMAs:**

- a. The procedure for conducting the desk review will not vary widely from country to country. Secretariat staff will collect information from the following primary resources: 1) Public Expenditure and Financial Accountability (PEFA) reports on public financial management, 2) World Bank Country Financial Accountability Assessment (CFAA) reports, and 3) any additional reports that assess public financial management systems. Staff will also reach out to development partners in each country to request additional assessments and resources that may be available, especially in relation to the health sector. The desk review will take one to two weeks to complete and will result in a concise report summarising the findings and specifying areas for in-depth review during the in-country review.

⁴ These 6 areas conform to the PEFA performance measurement framework indicator set.

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- b. The procedure for conducting the in-country review will vary from country to country and depend largely on the level of information that already exists on public financial management in the health sector. In-country reviews are expected to fall into one of three following levels of intensity:
 - i. Low: in this scenario, public financial management practices have been well documented. Detailed information will already be available concerning the health sector and the financing mechanism selected for the management of GAVI cash transfers. In this case, the in-country review would likely be limited to a visit from a Country Support Cluster Officer to negotiate the aide memoire with the government (based on findings from the desk review). Almost no additional information gathering is expected in this scenario. Mozambique, which will benefit from a comprehensive assessment of health sector public financial management practices through its IHP process, is an example of a “low intensity” country.
 - ii. Medium: in this scenario, national public financial management practices have been well documented, but little specific information exists for the health sector. The in-country review would be conducted by a Transparency and Accountability Officer or Country Support Cluster Officer with the support of a consultant, and would serve to gather additional information on practices in the health sector. Based on the findings of the assessment, the government would be asked to propose its preferred financing mechanism to channel funds. The GAVI representative would then take a decision on additional assurance activities that may be needed. This process is expected to require approximately eight working days in the majority of countries. Additional time and technical assistance from consultants may be necessary in certain countries.
 - iii. High: in this scenario, recent assessments of the country’s public financial management system do not exist, either at the national or health sector levels. As a result, GAVI will likely need to spend a greater amount of time in the country, and may commission an external expert to undertake a thorough analysis within the health sector. The resulting report, which would provide information on public financial management practices of the health sector, would be made available for use and review by the country government and its development partners. Upon completion of the assessment, a Transparency and Accountability Officer would join the expert consultant in the country to discuss the preferred financing mechanism and the terms of the aide memoire with the government. The sum total of time estimated for the “high” scenario is between three and five weeks. Guinea Bissau, a country that has not yet undertaken a PEFA or other diagnostic analysis of its public financial management practices, may be an example of a “high intensity” country.
- c. To the greatest extent possible, GAVI will rely on key partners like the World Bank to conduct FMAs or assist in conducting FMAs.
- d. Once both stages are complete, the Secretariat and the country will agree upon and sign an aide memoire which will stipulate arrangements for funds management, including any additional assurance activities needed, as indicated by the FMA. Completion of the aide memoire will be a condition for the receipt of the first tranche of cash support.

- e. Each country will be able to dictate the exact timing of the in-country review. If the FMA is completed prior to the IRC review of an HSS or ISS proposal, the report and aide memoire will be submitted for IRC consideration. If the FMA is to be completed after a proposal is reviewed, the IRC will not be able to make a recommendation for “full approval”; rather, the highest recommendation the IRC would be able to make is “approval with clarifications.” In this case, final review of the FMA report and aide memoire would be delegated to GAVI Management.
- f. If the FMA and aid memoire are still pending when the GAVI Alliance Board reviews a new proposal for HSS and ISS, the Board will be requested to approve the new programme and the funding to finance it pending clarifications (“approval with clarifications”). Funding would not be released until the FMA is completed and the aide memoire is signed.
- g. Upon signature of the aide memoire, GAVI will transfer the first tranche of funding needed to begin programme implementation.

E. Process to introduce the FMA:

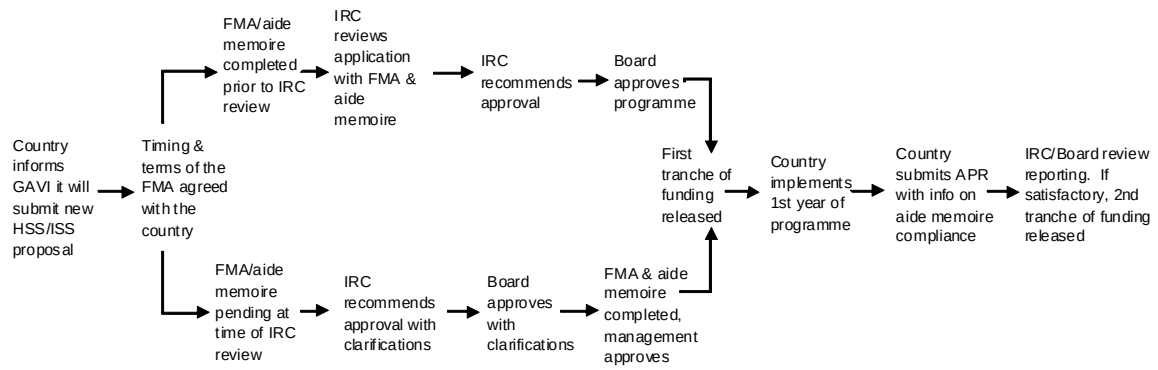
- a. GAVI will require financial management assessments for all eligible countries receiving or expecting to receive cash support. Recognising that each FMA will take a significant amount of time to complete, GAVI will phase them in as follows:
 - i. New proposals for Health Systems Strengthening and Immunisation Services Support. GAVI will prioritise new proposals for HSS and ISS first, given that this will avoid disrupting programme implementation at a later date. “New proposals” will be considered those submitted in the fall of 2008 and thereafter. In principle, GAVI will require an FMA before funding can be disbursed for any new HSS or ISS programme. However, until the Secretariat is fully staffed for TAP, Management may authorise the waiver or delay of an FMA for those countries with exceptionally small awards or who pose little relative risk.
 - ii. Existing HSS and ISS programmes - Higher risk. As permitted by time and staffing capacity, the Secretariat will begin conducting financial management assessments in those countries with existing HSS and ISS programmes. Those that pose higher risk will be prioritised. The risk levels of existing programmes will be determined by the early warning system, described below.
 - iii. Existing programmes - Lower risk. FMAs for existing programmes judged to pose a lower level of risk will be conducted last.
- b. Country Support Cluster Officers will regularly update information on countries expected to apply for HSS and ISS. GAVI will inform them of the need to conduct an FMA before GAVI can disburse any cash support for these proposals.
- c. Eligible countries will be able to determine the exact timing of their in-country review, with the understanding that, for new HSS and ISS proposals, funds will not, as a rule, be transferred until the FMA has been completed. The Secretariat will make efforts to harmonise in-country reviews with relevant development partner missions. The GAVI Alliance Secretariat and the eligible countries will agree upon the agenda for the the

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review.

- d. FMAs will be repeated on a minimum basis every three years or as dictated by risk.

Introduction of the FMA:



F. The early warning system:

- a. The Secretariat will maintain and update a risk model on eligible countries and their cash-based awards in order to address risk preventively. This model is derived from models used by other development agencies, and will be based on publically available data. It will be updated on a biannual basis and will provide information on:
 - i. Total grant size;
 - ii. Amount remaining to be disbursed;
 - iii. Funds utilization rate;
 - iv. Most recent Country Policy and Institutional Assessment rating or most recent Transparency International score;
 - v. Disbursement channel for GAVI cash support
 - vi. Findings from previous FMAs.

3. Protocol to respond to misuse of GAVI funds:

- A. **Investigation of misuse:** GAVI Management will be responsible for investigating any allegations of misuse on the basis of internal protocol. Management will also maintain the ability to suspend further disbursement of funding while an investigation of potential misuse is pending.
- B. **Response to cases of suspected misuse:** in those cases where there is a strong indication that misuse has occurred, GAVI will:
 - a. Temporarily halt all further funding transfers to the country.
 - b. Inform the Chair of the Executive Committee.

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- c. Conduct a mission to the country. The mission will involve senior members of the ministries of health and finance, as well as representatives from the office of the national auditing authority and partner representatives.
 - d. Make a determination on the suspected misuse and notify the Executive Committee Chair. In cases where misuse proves to be unfounded, Management will lift the temporary halt on funding.
- C. **Procedures in cases of verified misuse:** if misuse is verified following an investigation, Management will inform the Board and will work with the government to establish a mechanism to address the situation. Successful agreement upon this mechanism will be an absolute condition for further funding. The mechanism will be subject to Alliance Board approval and may include:
- a. The Government's guarantee to recover any lost funds;
 - b. Provisions for a new financing mechanism to manage future GAVI funds, if needed;
 - c. Additional assurance activities needed with a plan of action to implement them.

4. Next steps for implementation in 2009/10

- A. **Starting date:** Although the Transparency and Accountability Policy will take effect as of 1 January 2009, GAVI will begin requiring financial management assessments for countries submitting new HSS and ISS proposals as of September 2008.
- B. **Expectations for future applications:** Nine countries recently submitted HSS proposals in the October round, of which five have been recommended for approval (or approval with minor clarifications) by the IRC. Judging from the volume of applications in previous years, the Secretariat estimates that it will receive between 28 and 38 new proposals for HSS and ISS each year in 2009 and 2010.
- C. The Secretariat will follow the below next steps as of 1 November, subject to Board approval of the implementation plan and hiring of staff:
- November 1st to December 31st
- a. Communicate the terms of the policy to all GAVI staff, partners and countries, with specific focus on those that have just submitted, or are imminently expected to submit new proposals for HSS and ISS;
 - b. Update all proposal and monitoring guidelines and forms in accordance with the policy. The updated guidelines will be distributed to countries by January 2009;
 - c. Recruit new IRC team members with expertise in public financial management (at least two each to serve on the HSS, new proposals and monitoring teams);
 - d. Begin recruiting TAP staff and identify consultant firms that can provide additional technical assistance, if necessary;
 - e. Begin conducting FMAs for countries approved in the October review, as permitted by staffing capacity.
- January 1st to June 31st
- f. Continue communication of the policy to all countries;
 - g. Country Support Cluster Officers update information on countries expected to apply for HSS and ISS in the 1st round of 2009;

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- h. Conduct FMAs for the countries that were approved in the October round.
- i. Begin introducing FMAs in countries expected to apply for HSS and ISS in the 1st round of 2009.

July 1st to December 31st

- j. Continue communication of the policy to all countries;
- k. Country Support Cluster Officers update information on countries expected to apply for HSS and ISS in the 2nd round of 2009;
- l. Begin introducing FMAs in countries that are expected to apply for HSS and ISS in the 2nd round of 2009.
- m. If capacity is available start the conduction of FMAs in higher risk countries.
- n. Stocktaking exercise on the status of the implementation of TAP and adjustments of the policy based on lessons learned.

TRANSPARENCY AND ACCOUNTABILITY POLICY FOR THE GAVI ALLIANCE

5. Goal and scope of the policy

- 1.1** The goal of GAVI's Transparency and Accountability Policy is to ensure that all GAVI support provided in the form of cash transfers is used according to programme objectives as outlined in individual country proposals, and in accordance with best practice for financial management.
- 1.2** The policy governs the use of all GAVI cash transfers to countries for GAVI programmes including, but not limited to: 1) Health System Strengthening, 2) Immunisation Services Support, and 3) New Vaccines Support (for cash in lieu of supplies and lump-sum payments).

6. Principles of the Transparency and Accountability Policy

The policy will:

- a)** Rely and build on existing country capacity to the greatest extent possible, ensuring alignment with country systems.
- b)** Be consistent with the commitments of the *Paris Declaration on Aid Effectiveness*⁵
- c)** Promote mutual accountability by encouraging assessments of progress in implementing GAVI support.
- d)** Apply a country-by-country approach to reduce fiduciary risks in a manner which is equitable and transparent.
- e)** Be based on a set of minimum standards for the management of GAVI cash funding:
 - Funding should be used for purposes stated within a proposal;
 - Funds must be managed in a transparent manner, and provide accurate and verifiable financial reports on a regular basis as specified by individual funding arrangements;
 - Funds must be managed within accounts that meet national legal requirements for auditing, accounting and procurement.

7. Procedures

- 3.1** GAVI will strengthen its existing processes and mechanisms.
 - 3.1.1** The GAVI Secretariat will incorporate an updated financial management section in country proposal guidelines and the annual progress report. The revised guidelines will establish minimum requirements for country financial management and reporting. Revised proposal forms will require countries to

⁵ <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

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indicate how they will comply with these provisions, and this will be monitored through the annual progress report.

- 3.1.2** GAVI Secretariat will ensure that the Independent Review Committee has appropriate expertise in country financial management.
- 3.1.3** The GAVI Secretariat will ensure that each Independent Review Committee team has the authority and appropriate tools to evaluate the financial management aspects of each proposal or report. GAVI will also extend the mandate of its Independent Review Committee to request clarification on the financial management sections, recommend additional financial management assessments, request independent external audits, and propose steps for bringing a country in full compliance with this policy.
- 3.2** In all current programmes, and in the future prior to the submission of a proposal, the GAVI Secretariat will evaluate the relative fiduciary risk in each country and, together with the government and in-country development partners, reach a consensus on the specific financing modality for GAVI support.
 - 3.2.1** The GAVI Secretariat, working jointly with countries, will conduct a financial management assessment in all countries receiving GAVI cash transfers. This assessment will include both a review of existing financial assessments⁶ and discussions with government officials and partners. The assessment will: 1) provide GAVI with a baseline understanding of the level of fiduciary risk in each country, 2) help each country identify the most appropriate modality for channeling GAVI cash funds (consistent with the principles outlined in section 2 of this policy) that provides adequate fiduciary assurance, and 3) indicate what additional criteria and steps may be needed in each country to mitigate potential risks.
 - 3.2.2** Following the financial management assessment, each eligible country will have identified its preferred funding modality to channel GAVI support that meets GAVI minimum standards for fiduciary accountability. If an eligible country already uses a joint financing mechanism to channel funds for its health sector, it is assumed that the government will select this joint financing mechanism as its preferred modality for GAVI support. If a country prefers not to use an existing joint financing mechanism, it must present a compelling case for doing so, and receive the endorsement of its Health Sector Coordinating Committee.
 - 3.2.3** Once a country has selected its preferred funding modality and GAVI has conducted a financial management assessment, the country will be placed in one of three groups as follows:
 - **“Group I countries”:** GAVI eligible countries that will channel and manage their GAVI cash transfers through existing joint financing mechanisms. Group I countries are assumed to represent the lowest level of fiduciary risk as they will have established procedures for financial management,

⁶ Such as: 1) Public Expenditure and Financial Accountability (PEFA) performance reports - http://www.pefa.org/assessment_reportmn.php ; and 2) Country Financial Accountability Assessments (CFAA) - <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTFINANCIALMGMT/0..contentMDK:21388739-menuPK:3914288-pagePK:210058-piPK:210062-theSitePK:313218,00.html>

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procurement and reporting, with consistent oversight and support from in-country development partners.

- “Group II countries”: These countries follow varying procedures when managing donor funds. Group II countries will pose varying levels of fiduciary risks. Together with countries and in-country partners, the GAVI Secretariat will determine the most appropriate financing mechanism (consistent with the principles outlined in section 2 of this policy).
- “Group III countries”: GAVI eligible countries in which there has been suspected or verified misuse of funds from GAVI cash transfers. The decision to include any single country in this category is subject to the judgment and discretion of GAVI management. Special procedures will be negotiated on a case-by-case basis.

3.2.4 GAVI, together with each implementing country government, will establish and agree upon minimum requirements for the specific financing modality selected to channel GAVI cash transfers. These requirements will be based upon each country’s respective grouping, as well as relative level of fiduciary risk as established by the financial management assessment.

- Group I: GAVI is likely to accept the existing financial reporting and auditing processes already in place for each joint financing mechanism.
- Group II: Requirements may vary widely from strengthened financial reporting to identification of a third party (either a “third party private provider” or a “transparency and accountability focal point”) to review and validate country financial reports. Actual requirements will be determined on a case-by-case basis.
- Group III: Requirements will likely include substantial oversight by a third party private provider and external auditing. Actual requirements will be determined on a case-by-case basis.

3.2.5 Country groupings will be reviewed and revised on a regular basis.

3.2.6 Each eligible country applying for or receiving GAVI cash transfers, regardless of grouping, will identify a single department or individual within the Ministry of Health to oversee compliance with this policy.

3.3 The GAVI Secretariat, with support from its partners and the Independent Review Committee, will monitor country compliance with the Transparency and Accountability Policy, including specific requirements for individual countries.

3.3.1 Countries will manage their GAVI cash transfers and provide financial reports in accordance with the terms of this policy as well as their individually agreed arrangements. Failure to comply with these requirements could result in a variety of measures including the suspension of funding.

3.3.2 The GAVI Secretariat will conduct follow-up financial management assessments on a biennial basis, at a minimum.

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- 3.3.3** Countries in Group II may elect to channel GAVI funding through a joint financing mechanism at any time. Provided that GAVI accepts the terms implied by the mechanism, such a change would automatically move the country into Group I.
- 3.3.4** The GAVI Secretariat maintains the right to commission an external audit for any country at any time.
- 3.3.5** The GAVI Secretariat retains the authority to move any country into Group III, should it receive information suggesting that GAVI cash transfer funding has been misappropriated or misused, and this has been verified to the Secretariat's satisfaction. The GAVI Secretariat may, at its own discretion, suspend further cash transfers and begin the process to take corrective action. It will simultaneously inform and consult with the Chair of the GAVI Alliance Board.

8. Timeline for implementation and review

- 4.1** The policy will take effect as of 1 January 2009.
- 4.2** The GAVI Secretariat will begin to implement the policy on a phased basis, as determined by the policy implementation plan.
- 4.3** The GAVI Secretariat will report to the Alliance Board on the implementation of this policy on a yearly basis.
- 4.4** The Alliance Programme & Policy Committee of the Board shall review the policy after 6 full months of initial implementation. Thereafter, the Policy & Programme Committee will review the policy on a yearly basis.