



Report to the GAVI Alliance Board

12-13 June 2012

Subject:	Amendment to the Programme Funding Policy
Report of:	Barry Greene, Managing Director, Finance & Operations
Authored by:	Barry Greene
Agenda item:	06
Category:	For Decision
Strategic goal:	SG3 - Financing

Section A: Overview

1. Purpose of the report

- 1.1 This report outlines an approach, recommended by the Audit and Finance Committee, that would streamline Board and Committee processes for programme funding decisions and accelerate the provision of cash support to countries. It would help to optimise the use of Board and Committee time and reduce the number and/or duration of meetings.

2. Recommendations

- 2.1 The Audit and Finance Committee recommended that the GAVI Alliance Board approve the revised GAVI Programme Funding Policy and adopt the following resolution:

“The GAVI Alliance Board:

Approves the revised GAVI Programme Funding Policy attached as Appendix A to the report on the Amendment to the Programme Funding Policy, Doc 06.”

3. Executive summary

- 3.1 On a number of occasions in the course of each year, the Board or Executive Committee (EC) and the Audit and Finance Committee (AFC) engage in funding decisions for new proposals and the extension of previously approved proposals that have been recommended for approval by the Independent Review Committee (IRC) as well as adjustment of funding for existing programmes. Such decisions will be considered in eight meetings in 2012, twice as many as in 2011. A driver of this increase is the commencement in 2012 of the ‘rolling’ basis for approval of Health Systems Funding Platform (HSFP) proposals, necessitating more frequent approval meetings throughout each year.

- 3.2 The nature of the funding decisions taken in the course of a year ranges from the typically once-a-year approval of a round of new vaccine programmes, to the more frequent approvals of relatively small value new HSFP programmes, and various adjustments to extend or adjust funding for existing programmes. An approach that differentiates the decision-making process for the new vaccine programme from that for HSFP programmes and the adjustment/extension of funding to existing programmes could help to optimise the use of Board and Committee time.
- 3.3 The approach recommended in this paper is for an arrangement whereby:
- (a) The Board or EC would continue to directly approve all new requests for vaccine funding (i.e. all new proposals other than those recommended by the HSFP IRC).
 - (b) For new cash-based proposals recommended by the HSFP IRC and for the extension/renewal and adjustment of all existing programme budgets (vaccine and HSFP), the Board or EC would each year approve a funding envelope from which the Secretariat would allot amounts to individual programmes in the course of the year and report back to the AFC and the Board.
- 3.4 The arrangement would be effected by appropriately amending the Programme Funding Policy.

4. Context

Current situation

- 4.1 In 2012, Programme funding decisions are scheduled to be made at four meetings of the Board or EC. Prior to each of those meetings, the AFC must meet to review the financial implications of the funding decisions being presented for approval and advise the Board/EC on whether GAVI has the financial capacity for that approval.
- 4.2 Programme funding decisions are an agenda item for eight Committee meetings (four each of EC and AFC) in 2012, up from four in 2011. This increase is due mainly to the commencement of a rolling basis that allows countries to apply for HSFP funding throughout each year, in alignment with countries' own budget planning cycles. Although spending on HSFP programmes is likely to represent approximately 20% of overall Programme expenditure in the coming three to five years, if HSFP funding decisions continue to follow the same process as vaccine programmes, then an increased volume of Committee meetings is inevitable.
- 4.3 New programmes (recommended by the New Proposals IRC) represented 90% of the total value of multi-year budgets endorsed by the Board/EC in 2011, while the extension and adjustment of existing programmes, as recommended by the Monitoring IRC, accounted for 10% of the total (see Table 1). Although in the coming years, the extension and adjustment of existing programmes may represent an increasing share of the total, new

vaccines programmes will continue to represent the major share, and funding for these programmes would continue to be directly approved by the Board or EC.

Table 1
Overview of funding decisions made in 2011

	Endorsement of multi-year budget		Approval of liability for upcoming year	
	US\$ bn		US\$ bn	
New programmes	1.2	90%	0.3	42%
Existing programmes:				
1. Adjustments to already endorsed budgets	-0.3	-25%	-0.2	-25%
2. Extension of endorsed budgets	0.5	36%		
3. Approval of liability for upcoming calendar year			0.6	83%
Sub-total: Existing programmes	0.1	10%	0.4	58%
Total (2011 data)	1.3	100%	0.8	100%

‘Funding envelope’ arrangement

4.4 To reduce the number and/or duration of Committee meetings, an arrangement is recommended whereby:

- a) The Board or EC would continue to directly approve all new requests for vaccine funding. This would normally occur once a year, in the fourth quarter.
- b) At a Board or EC meeting in the fourth quarter of each year (e.g. December 2012), the Board or EC would approve a funding envelope, to be allotted by the Secretariat in the upcoming calendar year for the continuation and adjustment of funding for existing programmes, and for new HSFP proposals. Board consideration of the funding envelope would be informed by a forecast of the resource needs and resources available, prepared by the Secretariat and reviewed by the AFC, in accordance with the Programme Funding Policy (as currently).
- c) The Secretariat, acting within that Board-approved funding envelope, would during the upcoming calendar year (e.g. 2013):
 - i. for new HSFP programmes: allot funding to individual programmes based on recommendations of the IRC; and
 - ii. for existing programmes (i.e. all programmes, whether vaccine, HSFP or other cash-based): allot funding to extend budgets into future years and/or adjust annual budget amounts for individual programmes, based on recommendations of the Monitoring IRC following their review of annual progress reports, and adjust budget amounts for updated timing of implementation and budget utilisation.
- d) By ‘allot funding’ is meant that the Secretariat would, from within the Board-approved funding envelope, for each programme (as is currently done by the Board/EC):

- i. endorse or adjust the multi-year budget for a programme; and
 - ii. establish or adjust a near-term liability on the GAVI Alliance balance sheet for funding through the then current calendar year (e.g. 2013) and one further year (e.g. 2014). (This amount is a sub-set of the endorsed multi-year budget).
- 4.5 Safeguards would be established 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 would be assessed by the Secretariat (as currently) and documented in a report, with similar content to that currently provided to the AFC, prepared by the Country Programmes and Finance teams. That report would go 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 would be reviewed by the CEO or Deputy CEO who would be empowered to authorise the allotment of funding to individual programmes, from within the funding envelope (instead of the Board/EC approving the individual programme amounts, as is currently done). If that certification is not provided (e.g. because the financial implications were inconsistent with the approved funding envelope), then the funding recommendations would be referred to the AFC and EC, as currently.
 - (c) Following authorisation by the CEO or Deputy CEO, countries would be notified by implementation letter of the (new or revised) indicative programme budget amount (as currently). The proposed process would enable this to occur sooner than is currently the case.
 - (d) The Secretariat would report back to the AFC and the Board or EC twice a year on utilisation of the funding envelope. This reporting would summarise the programme funding allotments made by the Secretariat in the previous half-year and demonstrate their fit within the Board/EC-approved funding envelope.

Benefits

- 4.6 The recommended arrangement would enable the Board/EC to focus on funding decisions for new vaccine programmes seeking GAVI support, and on allocating a resource envelope each year for the ongoing funding and adjustment of existing programmes, and new HSFP programmes, to be administered by the Secretariat. As a result, the number of Committee meetings would be reduced and/or their agendas shortened thereby reducing workload of the Board, Committees and the Secretariat.
- 4.7 The arrangement would shorten the lead time from IRC recommendation to country notification of those funding decisions implemented through the envelope (increasing predictability) and accelerate the provision of GAVI support to countries.

5. Next steps

- 5.1 If the recommended arrangement is approved, it can be implemented for funding allotments in the remainder of 2012, by the Executive Committee approving a funding envelope in July 2012, following review by the AFC. Subsequently, in December 2012 the Secretariat will report on utilisation of that envelope and propose for approval a new funding envelope for funding allotments in 2013.

6. Conclusions

- 6.1 The arrangement, while retaining Board/EC control over overall funding amounts, would transfer to the Secretariat responsibility for the allotment of funding to individual programmes for their extension and for adjustments to their budgets, as well as for new HSFP programmes, based on IRC recommendations.
- 6.2 If adopted, the proposed arrangement would focus Board/Committee time on new vaccine programme funding decisions at the outset – the point where GAVI enters into a moral commitment to the programme, and on the overall allocation of funding, as an envelope, for their continuation, subject to IRC recommendations and Secretariat follow-up. It would accelerate predictability and access to funding for countries, for those funding decisions implemented through the envelope.

Section B: Implications

7. Impact on countries

- 7.1 Earlier notification to countries of funding decisions implemented via the funding envelope.

8. Impact on GAVI Stakeholders

- 8.1 Not applicable

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

- 9.1 Would not impact the amount of Programme Financing, but would streamline the decision-making process.

10. Risk implications and mitigations

Risk of funding being allocated to programmes in excess of resources available (i.e. Qualifying Resources): this risk is mitigated by the safeguards outlined in paragraph 4.5, including through the reviews by the AFC of funding

allotments from the Board/EC-approved envelope and reporting back to the Board/EC.

11. Legal or governance implications

- 11.1 The reduction of the number of Committee meetings at which programme funding decisions are for consideration, would reduce Board and Committee workloads. Instead, the Board/EC would holistically consider upcoming funding decisions a year ahead to approve a funding envelope, and transfer responsibility to the Secretariat for making allotments to individual programmes from that envelope, based on IRC recommendations.

12. Consultation


- 12.1 The AFC considered the proposed arrangement at its meeting on 11 April 2012 and provided guidance to the Secretariat that is reflected in the recommended approach outlined herein.

13. Gender implications / issues

- 13.1 Not applicable

14. Implications for the Secretariat

- 14.1 Less frequent input to Committee meetings with regard to programme funding decisions. New reporting to two Board meetings each year on the utilisation of the Board/EC-approved funding envelope. New Secretariat process for CEO or Deputy CEO authorisation to allot funding, from within a Board/EC-approved funding envelope.

		APPENDIX A
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VERSION NUMBER	APPROVAL PROCESS	DATE
1.0	Barry Greene, Managing Director, Finance and Operations	
Sections 3.1-3.3	Approved by: GAVI Alliance Board	17 June 2010
		Effective from: 17 June 2010
		Reviewed: As and when required
Section 3.4	Reviewed by: Audit and Finance Committee	September 2009
	Approved by: GAVI Alliance Board	18 November 2009
		Effective from: 18 November 2009
		Reviewed: As and when required
<u>Section 3.5 and Annex 1</u>	<u>Reviewed by: Audit and Finance Committee</u>	<u>11 April 2012</u>
	<u>Approved by: GAVI Alliance Board</u>	<u>13 June 2012</u>
		<u>Effective from: 13 June 2012</u>
		<u>Review: As and when required</u>

GAVI Alliance 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.

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
- (b) Cash and investments of the GAVI Fund Affiliate that are committed for approved programmes and are available for transfer to GAVI

Future inflows expected during the Defined Period from:

- (c) Contributions contingent on programmatic expenditure (e.g. AMC contributions)
- (d) Expected IFFIm funding from the GAVI Fund Affiliate, based on existing donor pledges
- (e) Expected grants from the GAVI Campaign
- (f) Confirmed contributions to GAVI Alliance (under already-signed agreements or otherwise confirmed in writing)
- (g) 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)
- (h) 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.

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 HSFP programmes.
2. The Secretariat, acting within that Board-approved funding envelope, shall during the upcoming calendar year (or specified period):
 - (a) for new programmes recommended by the HSFP IRC: allot funding to individual programmes based on recommendations of the IRC; and
 - (b) for then existing programmes: allot funding to extend budgets into future years and/or adjust annual budget amounts for individual programmes, based on recommendations of the Monitoring IRC, and adjust budget amounts for updated timing of implementation and budget utilisation.
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.
 - (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.