

**Annex B: Changes to the Programme Funding Policy (as submitted to the 21 October 2020 Audit and Finance Committee meeting)****A: Executive Summary**

- As Gavi operationalises the Portfolio Management re-design as part of the Gavi 5.0 Strategy, amendments to the Programme Funding Policy are required. These changes were introduced at the 23 July 2020 Audit and Finance Committee (AFC) meeting.
- This report outlines the changes to Portfolio management re-design and necessary updates to the Programme Funding Policy needed to operationalise these and requests the AFC to recommend that the Board approves these changes.
- To that end, as included in the Decision point section already, we ask that the AFC recommend for Gavi Board Alliance approval:
  - The inclusion of selected Partners' Engagement Framework (PEF) components: Technical Country Assistance (TCA), Strategic Focus Areas (SFA) and Foundational Support (SF) under the scope of the Programme Funding Policy (PFP)
  - The multi-year approval of support for programmes under the scope of the PFP

**B: Overview of Gavi 5.0 portfolio management re-design****1. Update on Portfolio management re-design**

- 1.1. As previously outlined in the July 2020 AFC paper, as part of the operationalisation of Gavi 5.0, the Board has called upon the Secretariat to review and improve Gavi's portfolio management processes (i.e. the processes of providing grants to countries) with the objective to make them more differentiated, efficient, simpler and hence, a successful platform to deliver on the Gavi 5.0 goals and objectives.
- 1.2. Through a highly consultative process, several key shifts have been identified and shared with the Programme and Policy Committee (October 2019, May 2020) as well as the Board (on the side-lines of December 2019 Board) with general agreement in principle to the proposed shifts.
- 1.3. As described in the July 2020 AFC paper, these shifts include grounding Gavi's support to countries in a single strategic 'Theory of Change' and support application across all streams of support. There will also be greater alignment across portfolio planning, review and approval for Health System and Immunisation Strengthening (HSIS), vaccine support and TCA; moving to a single integrated process with TCA brought in line with other programmatic funding. Importantly, there will be continued reliance on an independent review of applications by the Independent Review Committee (IRC) with more differentiation of the modalities of review. The level of Secretariat engagement would be more deliberately differentiated by countries' programmatic risk profile, portfolio level impact on reaching zero-dose children and missed communities

and the specific country situation (e.g. fragility or devolved structures). Finally, it is envisioned to move away from annual renewal cycles to multi-year approvals of funding envelopes (across HSS, vaccines and TCA) to provide longer term visibility of support to countries and Partners and reduce the significant administrative burden associated with annual renewals for the Alliance (described further below).

## **C: Inclusion of select PEF funds into programmatic support**

### **2. Current structure of PEF support and rationale for integration under programmatic funding**

- 2.1. The Partners' Engagement Framework (PEF) mechanism put in place in 2016 allows to fund and manage technical assistance grants to WHO, UNICEF and more than 60 other organisations at the global, regional, and most importantly, country level. The PEF is currently governed by the PPC and Board, while a more operational review of funding allocation and progress performance is provided on a regular basis by the PEF Management Team, composed of a representation of partners and donors.
- 2.2. As part of Gavi 5.0 Portfolio Management re-design described above, the Secretariat proposes that PEF TCA is integrated into a single Theory of Change application across all streams of support, approved for multiple years at country level. In so doing, TCA will be better aligned with other Gavi grants (HSIS and Vaccines), ensuring coordination of activities and timelines to better support the delivery of Gavi 5.0 goals and objectives. Moreover, the IRC would review TCA proposals as part of their review of countries' Theory of change and applications for support, increasing the scrutiny of TCA proposals. This will also allow for synergies across Gavi grants at a country level to be more easily identified and realised, something that is currently difficult due to a fragmented application and review system.
- 2.3. Beyond TCA, other areas of support under PEF include Foundational Support (FS) provided to core partners on an annual basis to provide global norms and guidance and Strategic Focus Areas (SFA) - special investment provided to partners for the development of innovative and catalytic support to immunisation programmes to address challenges in programmatic areas such as supply chain, data, demand etc. Multi-year funding across FS and SFA will allow for further simplification and greater predictability of support to partners. For this reason, we propose including FS and SFA into the scope of the Programme Funding Policy, however, review and oversight of these funds will continue to be provided by the PEF Management Team.
- 2.4. These proposed changes to TCA have been shared with both the PPC (May 2020) and the Gavi Alliance Board (September 2020) and we now plan to align SFA and FS to a similar process also. This will require changes of the Programme Funding Policy described below and inclusion of TCA, FS and SFA under programmatic support in Gavi's financial forecast. The latter is to be approved as part of the 5.0 financial forecast.

### 3. Impact on Programme Funding Policy (PFP): Inclusion of TCA, SFA and FS under the Scope of the PFP

- 3.1. The PFP would cover all programme funding decisions, including, as part of the proposed changes, TCA, SFA and FS, previously managed through an annual budget approval by the Gavi Alliance Board.
- 3.2. The AFC is being asked to approve the inclusion of TCA under the scope of the PFP, so that a multi-year envelope (with indicative annual amounts) can be approved in-line with other programmatic support. The allocation of funding will be made by the Gavi CEO with advice from the Independent Review Committee (IRC) who will review the proposals for TCA along with other Gavi support such as for Health System Strengthening. This structure will facilitate a closer review and alignment of all the investments to the countries with the High-Level Review Panel (HLRP) providing annual progress oversight of the support to partners. This would be a departure from the current process by which the Gavi Alliance Board approves an annual budget for TCA, which is then allocated to partners on the basis of high level review by the PEF Management Team, a team composed of representatives from WHO, UNICEF and three Gavi donors.
- 3.3. For SFAs and FS, the Secretariat asks the AFC to allow approval of a multi-year envelope (with indicative annual amounts) by the Gavi CEO with advice from the PEF Management Team that will review the proposals for FS and SFAs and provide bi-annual oversight of progress. This will require inclusion of FS and SFAs along with TCA under programmatic support in Gavi's financial forecast. The main difference to the current process will be the ability to make multi-year commitments within an envelope approved as part of the financial forecast. The SFAs and FS proposals are already being scrutinised by the PEF management team and this process would continue.
- 3.4. The Secretariat would also continue to provide regular programmatic reporting to the PPC and Gavi Alliance Board on the progress and results generated through these investments.

### **D: The multi-year approval of support for other programmes under the scope of the PFP**

#### **4. Moving away from annual renewals to multi-year approval of funding**

- 4.1. Currently, the initial approval and annual renewal cycles of Gavi's funding envelopes are complex and resource intensive. As previously noted in the July AFC update, on average, over 400 decision letters are drafted and dispatched by Gavi every year to notify countries of the annual renewal of Gavi support. They result in a high administrative burden and duplication of efforts for both the Secretariat/Alliance and Countries with very limited value added.
- 4.2. By moving to a multi-year approval<sup>1</sup> of funding support, the Secretariat can provide Countries and Partners with longer term visibility on support for more

<sup>1</sup> Approval with conditionality (i.e. Funding availability, performance, disbursement criteria, etc.)

effective planning, stronger alignment with countries' own planning cycles and minimise the administrative burden associated with the current annual renewal process.

- 4.3. This shift away from annual renewals, however, does not remove the need and relevance for annual performance discussions, oversight and risk management. Performance reviews through the HLRP will continue on a regular basis during the multi-year approval<sup>1</sup> period. As part of broader shifts, the role of the HLRP will be further strengthened to conduct both portfolio wide performance and risk reviews, as well as detailed country reviews based on performance and differentiated across countries.

## **5. Impact on the PFP: Multi-year approval of other programmes**

- 5.1 The AFC is also being asked to allow the multi-year approval of support across other programmes due to expected benefits described above.
- 5.2 Concretely, this means that the multi-year allocation of funding will be made by the Gavi CEO with advice from the IRC who will review the proposal as part of an integrated application. Performance would continue to be monitored over the multi-year period by the HLRP on a regular basis. As mentioned above, the role of the HLRP will be further strengthened to conduct both portfolio wide performance and risk reviews, as well as detailed country reviews based on performance and differentiated across countries. Thus, ensuring sufficient oversight is maintained over the multi-year period.
- 5.3 For vaccine support, this would include both on-going programmes as well as new programmes for which a country has sufficient visibility on need at the time of the multi-year application. The HLRP would continue to review performance of vaccine programmes on a regular basis, including the review of dose allocations where discrepancies arise. Thus, ensuring appropriate use of funds over the multi-year period.

## **6. Communications to UNICEF:**

- 6.1 In accordance with the proposed multi-year approval of funds, the Secretariat will provide authorisation and commitment to UNICEF for the purpose of procuring Gavi-funded vaccines, related supplies and cold chain equipment for delivery to Gavi-supported countries on a rolling basis.

## **7. Safeguarding of funds:**

- 7.1 Safeguarding of funds will continue as described above, with additional scrutiny and strengthened reviews as highlighted in sections D 4.3 and 5.2.

## **8. Financial impact of proposed changes:**

- 8.1 The current proposed changes to the Programme Funding Policy are not expected to have an impact from a financial reporting perspective as the newly adopted standard (US GAAP guidance ASU 2018-08) define the criteria of recognition based on the following: a financial liability for a country programme grant is recognized once measurable barriers, including Gavi funds availability,

satisfactory performance and/or disbursements conditions, are overcome or met. There is no specific provision linked to the tenor of the grant cycle.