

**SUBJECT:** PARTNERS' ENGAGEMENT FRAMEWORK & SECRETARIAT BUDGET 2020

**Agenda item:** 06b

**Category:** For Decision

## **Section A: Executive Summary**

### **Context**

This paper presents the detailed components of the Partners' Engagement Framework (PEF) and Secretariat budget for 2020 and seeks the Board's approval of these budgets.

In compiling its budget request for 2020 (the last year of the current strategic period), the Secretariat continued to focus on efficiency gains and a high level of fiscal responsibility while preparing for Replenishment and Gavi 5.0 operationalisation.

### **Conclusion**

No increase is proposed in relation to the 2020 PEF and Secretariat budget compared to the 2019 budget, excluding the financial impact of the one-off cost of the replenishment:

- The proposed 2020 PEF budget of **US\$ 253 million** is at the same level as the Board-approved 2019 budget, with minor changes between the respective components. Specifically, the PEF budget reflects a higher allocation for targeted country assistance (TCA) in line with the growing emphasis on subnational level technical support and enhanced focus on fragile countries.
- Secretariat budget needs are estimated at **US\$ 110 million** for 2020, compared to US\$ 108 million for 2019. The increase is primarily due to the inclusion of a one-off cost of US\$ 2.1 million for replenishment.

The Gavi updated financial forecast for the strategic period 2016-2020 presented in Doc 06a makes a provision for the proposed budget amounts and indicates that enough resources are available.

## **Section B: 2020 Proposed PEF and Secretariat Budget**

### **1. Overview of expenditure**

- 1.1 The table below provides a summary of programmatic, Secretariat and PEF expenditures for 2019 along with the projections for 2020.

- 1.2 In addition, it presents the performance ratios<sup>1</sup> adopted by the Board for the same periods.

Figure 1: Summary of the Gavi expenditure

Cash flow basis	<b>2019</b>		<b>2020</b>
All values in US\$ m	<b>Budget</b> (Nov '17)	<b>Projection</b> (Dec '19)	<b>Budget</b> (Dec '19)
Programmes (Vaccines & Cash)	1,743	1,773	1,756
CEPI		66	
PEF Programmatic Expenditure	234	228	235
<b>Total Programmatic Expenditure</b>	<b>1,977</b>	<b>2,066</b>	<b>1,991</b>
<b>Total Operating Expenses</b>	<b>131</b>	<b>122</b>	<b>132</b>
Of which, <b>Overheads</b>	<b>48</b>	<b>49</b>	<b>51</b>
<b>Total Expenditure</b>	<b>2,108</b>	<b>2,188</b>	<b>2,123</b>
<b>As % of Total Expenditure</b>			
<b>Operating Expense Ratio</b>	<b>6.2%</b>	<b>5.6%</b>	<b>6.2%</b>
<b>Overhead Ratio</b>	<b>2.3%</b>	<b>2.2%</b>	<b>2.4%</b>

- 1.3 **Operating Expense ratio:** Compared to the expected ratio of 5.6% for 2019, the operating expense ratio is projected to increase for 2020 to 6.2% essentially driven by the impact of the US\$ 2.1 million investment in supporting the Gavi 5.0 Replenishment.

- 1.1 **Overhead ratio:** at a projected ratio of 2.4% in 2020 compared to 2.2% for 2019, the overhead ratio is similarly impacted by the costs for the Replenishment.

## 2. Partners' Engagement Framework (PEF)

- 2.1 The total budget for 2020 for PEF is forecasted at **US\$ 253 million**, at the same level as the 2019 Board-approved budget with non-material changes within the respective components as shown in the table below.
- 2.2 TCA reflects a higher allocation in line with the growing emphasis on subnational level technical support and greater focus on fragile countries. The TCA envelope in 2019 has been fully committed, and the proposed budget for 2020 incorporates the support for Syria and Congo Republic that have become eligible in 2019, as well as the increase in TCA for Nigeria in line with the Board-approved tailored strategy.

<sup>1</sup> The performance ratios included above have been prepared on a "cash-flow" basis in line with the other financial information included in this paper. These same performance metrics are included in Gavi's Annual Financial Report albeit these are prepared on an "accrual" basis consistent with the financial statements presentation.

- 2.3 Based on four key pillars (country focus, differentiation, transparency and accountability for results), PEF activities and associated funding are divided into programmatic related expenditures and operating expenses.

Figure 2: Partners' Engagement Framework Expenditure

Partners Engagement Framework Expenditure Overview

Accrual basis	2018		2019				2020	Variances
All values in US\$ m	Budget	Actual	Budget	Projection	Actual	Projection	Budget	20 Bud vs. 19 Bud
Full Year Values unless otherwise stated	(Nov '17)		(Nov '17)	(Nov '18)	July YTD	(Sep '19)	(Sep '19)	
Targeted Country Assistance	85.0	86.2	95.0	95.0	70.3	99.8	100.0	5%
Strategic Focus Areas	29.0	23.7	29.0	29.0	16.8	24.3	29.0	0%
Foundational Support	36.4	36.3	36.4	36.4	36.0	36.4	36.4	0%
<b>* PEF Partner Support</b>	<b>150.4</b>	<b>146.2</b>	<b>160.4</b>	<b>160.4</b>	<b>123.1</b>	<b>160.4</b>	<b>165.4</b>	<b>3%</b>
Procurement Fees - Vaccines (1)	19.0	19.0	19.0	19.0	9.5	19.0	19.0	0%
Procurement Fees - CCEOP (1 & 2)	4.3	4.3	4.3	4.3	2.2	4.3	4.3	0%
Procurement Fees - Surveillance Equip.							0.4	
Partnerships in Innovation	26.0	13.8	26.0	26.0	1.7	18.0	24.0	-8%
Post Transitional Support (3)	5.0	3.8	24.0	24.0	21.1	26.6	21.8	-9%
<b>Programme Expenditure</b>	<b>204.7</b>	<b>187.1</b>	<b>233.7</b>	<b>233.7</b>	<b>157.5</b>	<b>228.3</b>	<b>234.9</b>	<b>1%</b>
Evaluations and Assessments	19.3	10.0	19.7	19.7	3.9	13.5	18.5	-6%
AMC fees	0.2	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Operating Expenses</b>	<b>19.5</b>	<b>10.0</b>	<b>19.7</b>	<b>19.7</b>	<b>3.9</b>	<b>13.5</b>	<b>18.5</b>	<b>-6%</b>
<b>Total PEF Budget</b>	<b>224.2</b>	<b>197.1</b>	<b>253.4</b>	<b>253.4</b>	<b>161.4</b>	<b>241.8</b>	<b>253.4</b>	<b>0%</b>

(1) 2020 Budgets approved by Gavi Board in June 2019

(2) 2019 Budget Figure includes the additional US\$ 0.7m CCEOP Procurement Fees approved by the Board in December 2018

(3) Board approved Post-transitional Support budget included the 2018 estimated portion of the June 2017 board approval for \$30m.

The subsequent Board approvals in December 2017 and June 2020 are reflected in the relevant projections.

- 2.4 **Appendix 1** provides a more detailed analysis of the PEF expenditures.

### 3. Secretariat Engagement

- 3.1 The Secretariat needs are estimated at **US\$ 110 million** for 2020, a slight increase of US\$ 2 million compared to US\$ 108 million for 2019, primarily driven by the inclusion of a budget of US\$ 2 million for the replenishment.
- 3.2 **Capital Expenditure:** for 2020, the Secretariat is proposing a budget of US\$ 0.5 million to cover for the IT equipment and software and leasehold improvements, a decrease of 50% compared to 2019.
- 3.3 **Appendix 2** provides a more detailed analysis of Secretariat expenditures.

Figure 3: Secretariat Expenditure

### Secretariat Expenditure, Overview

Accrual basis	2018		2019				2020	Variances
All values in US\$ m	Budget	Actual	Budget	Projection	Actual	Projection	Budget	20 Bud vs. 19 Bud
Full Year Values unless otherwise stated	(Nov '17)		(Nov '17)	(Nov '18)	July YTD	(Sep '19)	(Sep '19)	
Salary and other staff costs	59.1	54.0	60.2	60.2	31.2	58.0	60.1	0%
Consultancy & professional services	23.7	23.0	22.9	22.9	9.2	24.0	25.1	10%
Facility & office costs	10.3	9.5	9.4	9.4	4.2	9.4	9.1	-3%
Travel costs	6.0	5.6	6.1	6.1	2.4	6.1	6.2	1%
Events & meetings	3.8	3.3	3.9	3.9	1.6	3.5	5.2	32%
Other Costs	5.2	3.9	5.2	5.2	2.4	4.5	4.7	-11%
<b>Secretariat, excl. Heath Campus &amp; Replenish.</b>	<b>108.1</b>	<b>99.3</b>	<b>107.8</b>	<b>107.8</b>	<b>51.0</b>	<b>105.6</b>	<b>110.3</b>	<b>2%</b>
						98%		
Health Campus one-time costs	7.1	3.8						
<b>Capital expenditure</b>	<b>2.5</b>	<b>2.0</b>	<b>1.0</b>	<b>1.0</b>	<b>0.1</b>	<b>0.3</b>	<b>0.5</b>	

### Section C: Actions requested of the Board

Taking note that the budget for Vaccine and CCEOP Procurement fees and the envelope for Post-Transition Support for 2018-2022 have already been approved by the Board (US\$ 23.3 million and US\$ 21.8 million respectively for 2020), the Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

- a) **Approve** within the overall amount of US\$ 253.4 million for 2020 for the Partners' Engagement Framework, the following allocations:
  - (i) US\$ 165.4 million for PEF Partners to support Targeted Country Assistance, Special Investments in Strategic Focus Areas and Foundational Support;
  - (ii) US\$ 0.4 million in fees for UNICEF Supply Division to procure yellow fever diagnostic surveillance equipment;
  - (iii) US\$ 24.0 million for investing in Partnerships in Innovation to be administered by the Secretariat;
  - (iv) US\$ 18.5 million for Impact Assessments and Evaluations to be administered by the Secretariat;
- b) **Approve** US\$ 110.3 million for Secretariat Engagement;
- c) **Approve** US\$ 0.5 million for capital expenditure budgets to implement the Secretariat's part of the Gavi Engagement Framework.

## **Annexes**

**Annex A:** Implications/Anticipated impact

## **Additional information available on Board Effect**

**Appendix 1:** Details of the Partners' Engagement Framework Expenditure  
(including details on Partnerships in Innovation)

**Appendix 2:** Details of the Secretariat Engagement Expenditure