

Subject	Fiduciary Risk Assurance and Financial Management Capacity Building
Agenda item	12
Category	For Decision

Executive Summary

The purpose of this paper is to provide an update on the Strategic approach for Fiduciary Risk Assurance and Financial Management Capacity Building programme and associated investment. This paper outlines the revised approach to further capitalise on the gains accrued to date, by extending the programme into Gavi 6.0.

The proposed investment of US\$ 110 million will be for:

- a) US\$ 21 million for Capacity Building initiatives to support an increase in the proportion of funds using country systems, and to deepen country ownership by increasing the transfer of budgetary and financial management control to the government.
- b) US\$ 47 million Assurance Costs to mitigate risks associated with transitioning and supporting the use of country systems, consistent with risk appetite; and
- c) US\$ 42 million Programme Support Costs payable to enable partners indirect cost recovery.

This topic was previously discussed at both the Programme and Policy Committee meeting on 29-30 October 2025 and the Audit and Finance Committee meeting on 10 November 2025. The Programme and Policy Committee recommended to the Gavi Alliance Board that it approve this revised approach and investment.

Audit and Investigations' recent findings highlighted the need for a differentiated approach, an expansion in programmatic assurance, and greater value for money.

For the Gavi 6.0 strategic period, Gavi proposes to adapt its fiduciary risk assurance and financial management capacity programme, by aligning with Gavi Leap principles of sustainability and country ownership. This investment will result in an increase of the quantum of Gavi funds channelled into national systems, support country engagement and ownership, and expand assurance providers' scope to cover fiduciary components, while ensuring value for money and maintaining appropriate safeguards. This approach entails a moderate increase in overall risk appetite, in part reflected by a net 33% reduction in the Financial Management and Risk Assurance (FM&RA) funding compared to Gavi 5.0.

The shift requires a risk-intelligent approach – carefully managing increased financial exposure – while strengthening accountability mechanisms, promoting national ownership and programmatic flexibility, and enhancing institutional capacity through capacity building.

Action Requested of the Board

The Gavi Alliance Programme and Policy Committee recommended to the Gavi Alliance Board that it:

Approve the approach as set forth in Annex A to Doc 12 to strengthen fiduciary risk assurance and financial management capacity building of Gavi grants during the Gavi 6.0 period; and

Approve the associated investment of US\$ 110 million for 2026-2030.

Next steps/timeline

Assuming that the Gavi Board approves the Strategic Approach to Fiduciary Risk Assurance and Financial Management of Cash Grants under Gavi 6.0, the Portfolio Financial Management team, in collaboration with the Country Delivery Department, will implement a programme to progressively augment country ownership where appropriate, by increasing the transfer of budgetary and financial management control to national counterparts, while maintaining necessary safeguards and assurance mechanisms, so that fiduciary risks remain within the Board's appetite.

Previous Board Committee or Board deliberations related to this topic

In November 2025 Report to the AFC: Doc 08 *Strategic approach for Fiduciary Risk Assurance and Financial Management of cash grants for Gavi 6.0*

In October 2025 Report to the PPC: Doc 06c *Gavi 6.0 Operationalisation Part C: Fiduciary Risk Assurance and Financial Management Capacity Building*

In June 2021 Board meeting book: Doc 07 *Fiduciary Risk Assurance and Financial Management Capacity Building – being the funding proposal for Board decision: providing an overview and basis for earmarking USD 164 million to implement Gavi's Fiduciary Risk mitigation approach throughout Gavi 5.0, in accordance with the strategic principles of building country capacity, sustainability and ownership.*

In November 2018 Board meeting book: Doc 06b *Approaches to fiduciary risk management across Gavi's cash grants – to which point the Programme and Policy Committee expressly requested that Gavi accelerate timelines in moving funds back to government systems.*

In October 2017 Report to the PPC Doc 04 *"Channelling funds away and back to government systems" as part of the Gavi Alliance update on Country Programmes, in which it was recognised that Gavi is increasingly channelling funding through partners and other agents as a risk management measure, which is not always easily reconcilable with the principles of country ownership and sustainability.*

Report

1. Impact and lessons from the Gavi 5.0 “Strategic approach for Fiduciary risk assurance and financial management capacity building”

- 1.1 In June 2021 the Board formally approved Gavi’s portfolio-wide “Fiduciary risk assurance and financial management capacity building” programme, with a funding envelope of US\$ 164 million. Of this amount, approximately 55% (US\$ 90 million) was allocated to UNICEF and WHO and other non-governmental partners, in order to fund their programme support costs and indirect costs.¹
- 1.2 Between 2022 – 2025, this programme was implemented as Gavi’s Financial Management and Risk Assurance (FM&RA) approach. In November 2024, the Audit and Finance Committee received a progress update that the FM&RA programme was on track and achieved its primary objectives:
 - Approximately 66% of Gavi’s portfolio is using country systems (up from 49% baseline at the end of Gavi 4.0). This consisted of 12 additional countries shifting over to partially using systems (net total = 38 countries, with 1 additional country postponed due to political context);
 - More than 54% of Gavi’s disbursements are currently disbursed to the government or to hybrid systems (up from 29% baseline at the end of Gavi 4.0). This represents a reversal as during the period 2016-2020 approximately two thirds of Gavi’s funds were channelled to the Alliance partners.
 - Adequate mitigation of the additional risks associated with channelling funds through country systems. This was done by putting in place assurance providers across 43 out of 58 Gavi countries to strengthen compliance (up from a baseline of approximately 12 monitoring, fiscal or equivalent agents, which were in place at the end of Gavi 4.0).
 - Capacity building plans were drawn up, and ongoing strengthening activities were underway in at least 33 countries – including supporting supreme audit institutions.
- 1.3 Though FM&RA 5.0 largely achieved its primary objectives, there were some areas identified where limited assurance was obtained. This was illustrated in recent Audit and Investigations’ programme audits, which highlighted several persistent risks across Gavi’s portfolio. An analysis of these in-country audit findings for the period 2023-2024 identified issues in the programmatic area, including performance management, vaccine logistics and supply chain.

¹ Programme Support Costs – Such costs are consistent with the partners’ cost recovery principles, which contribute towards covering an agreed apportioned share of the partners’ delivery, enabling them to deliver services and general management support.

- 1.4 Similarly in April 2025, Audit and Investigations published its internal audit review of in-country assurance mechanisms and recommended that Gavi's Management:
 - include programmatic assurance in its risk approach, by incorporating this approach into Assurance Provider contracts;
 - reorient and realign sufficient resources to cover programmatic risks including governance and oversight; supply chain logistics; and
 - increase differentiation within the FM&RA programme, so that cost-effective, tailored activities are aligned with the overall country risk, grant size, and country context, to obtain better value for money.
2. **Shifts in the Fiduciary Risk Assurance and Financial Management Capacity Building approach for Gavi 6.0**
 - 2.1 During Gavi 5.0, the FM&RA programme focused on shifting Gavi's funds over to national grant management arrangements, by supporting the use case for country systems, albeit partial use of these, in many cases.
 - 2.2 Based on the assurance providers' findings, feedback from independent reviews, and Gavi's Portfolio Financial Management's own assessments, it has been demonstrated that channelling funds through government systems, helps promote Governments acquisition and strengthening of budgeting and financial management capabilities. Conversely, when Gavi channels and places funding under the Alliance partners' administration, this can delay achieving immunisation objectives, if the Ministry of Health is not sufficiently implicated with regards to decisions and oversight over Gavi's investments.
 - 2.3 Audit and Investigations' review also highlighted concerns with regards to value for money. In particular, for those Programme Management Units where the majority of the cost is borne by Gavi – or jointly by Gavi and the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) – under cost-sharing arrangements. Both Gavi and the Global Fund remain concerned that such approaches are not sustainable in the long run and that our organisations should therefore jointly establish suitable exit plans, that pave the way towards transitioning to alternative, affordable mechanisms. This includes co-designing with the Government, suitable arrangements embedded within institutional capabilities that leverage national capabilities and resources.
 - 2.4 As set out in the Gavi Leap – promoting country ownership – translates into continuing to increase the quantum of funds that Gavi disburses to national systems with the risk and rewards for managing these funds resting with governmental counterparts. This is consistent with Gavi 6.0, which places greater emphasis upon governmental leadership, encouraging them to exert autonomy over Gavi budgeted resources, and determining funding priorities. It also assumes that sufficient capabilities in decision-making, planning, budgeting/ reallocation, monitoring and cost control processes are present. By implication, Gavi needs to ensure that such skills are in place, else where

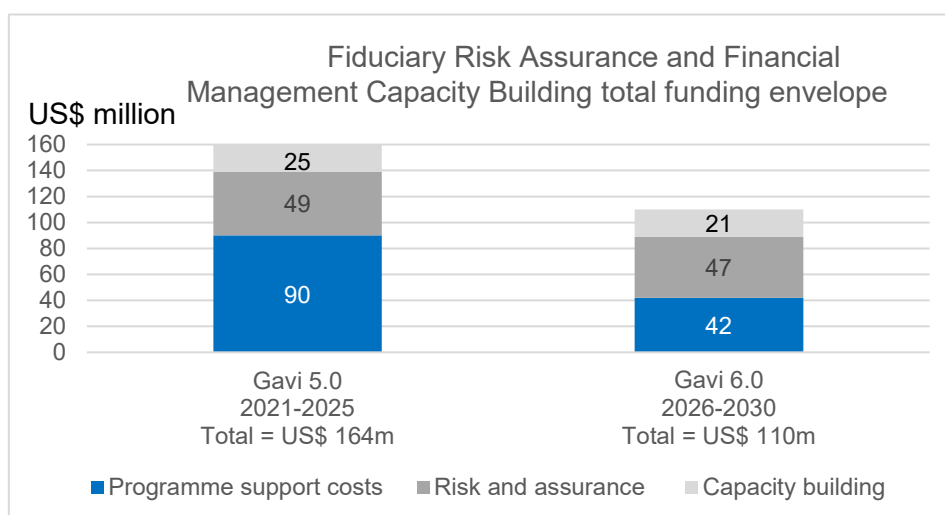
necessary, the organisation should offer appropriate technical assistance and capacity building.

- 2.5 Similarly, as reported to the Audit & Finance Committee (AFC) in November 2024, significant savings were achieved from the FM&RA 5.0's programme support costs. Since the programme increased the amount of Gavi funds disbursed to country systems, concomitantly the quantum of disbursements to partners also reduced, resulting in less spent on support costs.
- 2.6 Hence, how Gavi chooses to deploy and invest its fiduciary risk assurance and financial management capacity resources in Gavi 6.0. represents an opportunity to influence the pace at which funds return to government systems. These funds can be considered catalytic in nature, by helping target and reinforce the specific components and processes which are most effective in strengthening and building confidence in national systems.
- 2.7 In conclusion, based on the lessons learnt during Gavi 5.0 and per the 2024 report to the AFC, Gavi should consider consolidating the gains accrued to date, through extending the fiduciary risk assurance and financial management capacity approach into Gavi 6.0 to:
 - increase the quantum of Gavi funds which use country systems, while preventing backsliding upon existing gains;
 - proactively manage in-country risk, through continuing the assurance providers' – whilst considering overall value for money; and
 - introduce innovative technologies (e.g. digitalisation and mobile money), and where possible – by continuing to collaborate and leverage synergies with the Global Fund.

3. Financial risks and implications of the proposed approach

- 3.1 As Gavi increasingly uses country systems, it is important to acknowledge that the pace at which Gavi is willing to continue to transition to using such systems has a range of implications with respect to balancing the overall risk appetite and the need to strike an optimal balance between programmatic and financial risks.
- 3.2 The planned fiduciary risk assurance and financial management capacity approach for Gavi 6.0 will result in a greater shift over to using country systems, while accepting a moderate increase in financial risk appetite. Any potential increase in near-term operational risk is to be mitigated by using Gavi's existing accountability mechanisms, and counterbalanced by the reward of additional country engagement, ownership and increased programmatic agility. The overall approach is contingent upon:
 - accepting a slightly elevated risk appetite in the short-term from the use of national systems as they adjust and accommodate for the management of donor funds;

- that the Government's senior administration is cognisant that it is accepting additional risks and rewards associated with directly managing Gavi funds; and
 - combined with a significant increase in Gavi's investments to build national capabilities, while maintaining a reasonable continuum of assurance safeguards.
- 3.3 Consistent with the Gavi Board retreat and recalibration exercise in July 2025, an overall total US\$ 110 million ask for the Fiduciary Risk Assurance and Financial Management Capacity Building programme was proposed for the Gavi 6.0 strategic period.
- 3.4 Of this amount, Programme Support Costs totalling US\$ 42 million – part of the funding already approved by the Board – will be proportionally allocated to those country programme components which are implemented by partners, to cover their indirect cost recovery.



- 3.5 It is therefore proposed that these funds be used to finance a five-year programme throughout Gavi 6.0, which focuses on accelerating the shift of the budgetary and financial management of immunisation programmes over to governments, while progressively moving away from hybrid and donor-owned mechanisms.

Annexes

Annex A: Fiduciary Risk Assurance and Financial Management Capacity Building programme approach