Approaches to Fiduciary Risk Management in Gavi’s Cash Grants

BOARD MEETING
Hind Khatib-Othman, Jacob van der Blij
28-29 November 2018, Geneva
A complex issue touching on the core of our model

• Using country systems is critical for Gavi’s model
• But comes with inherent risks of misuse, for which the Board set a low risk appetite
• Better understanding of risks and actual misuse led to more funds being channelled away from governments with no near-term change likely to occur
• PPC and Board expressed concerns and asked to find ways to reverse this trend
• Additionally, current model of channelling through partners is not always meeting Gavi’s fiduciary needs

Find different models to strike a better balance between using and building country systems and staying within acceptable levels of fiduciary risk, as defined by the Board’s risk appetite
Current situation – portfolio analysis

- **GOVERNMENT SYSTEMS ONLY**
  - 16% (of total funding)
  - 14 countries
- **PARTNERS ONLY**
  - 44% (of total funding)
  - 25 countries
- **PARTNERS in HYBRID MODEL**
  - 23% (of total funding)
  - 29 countries
- **GOVERNMENT SYSTEMS in HYBRID MODEL**
  - 17% (of total funding)
  - 17% channelled away for fiduciary reasons
  - 17% channelled away for other reasons than fiduciary risk
- **29 countries HYBRID (both partners and government systems)**
  - 40% (of total funding)

**Total funding split**
- GOVT 33%
- PARTNERS 67%

40% of total funding is channelled away for fiduciary reasons, potentially could be moved back to governments.

- **19% Country choice** (India, Pakistan)
- **6% War-torn** (CAR, Somalia, South Sudan, Yemen)
- **2% Banking Restrictions** (Korea DPR, Cuba)

27% channelled away for other reasons than fiduciary risk

Board meeting
28-29 November 2018
Potential solutions

Measures to strengthen assurance model and leverage countries’ own capacity

• Continue strong engagement with MoF, and ensure all Gavi funds are “on-budget”
• Ensure strong government oversight mechanisms and external audits
• Implement hybrid models, where possible
• Extend LMC approach to build financial management capacity

Exploring alternative fiduciary risk mitigation models complementary to programmatic role of core partners

• Explore (a combination of) alternative models tailored to country context and risk profile
• Models to provide more embedded fiduciary monitoring and assurance, potentially with capacity-building
Going forward

Evaluating and scaling up alternative models

• Formal evaluation of representative sample in 2019 and 2020
• Use part of US$ 16m current spend to scale up promising approaches to accelerate funds moving back to government

Anticipated impact

• Significant change only expected post 2020 as models are being scaled up, given lead time and available resources
• Already initiated models and tests in another ~10 further countries is projected to reduce the ratio of funds to partners to ~62% by 2020 and to ~50% by 2025.
THANK YOU