

GUIDELINES ON DETAILED BUDGETING

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Reach Every Child
www.gavi.org



Guidelines on detailed budgeting

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The purpose of this annex is to expand upon some of the important principles on budgeting outlined in Gavi's Financial Management and Audit Guidelines, and to focus on certain specific areas of the budget which require further guidance.

Whilst Gavi provides a large amount of flexibility in budgeting, Gavi is increasingly concerned that budget details should follow the narrative of the proposal and be invested in areas of high value rather than in recurrent costs that become unsustainable over time.

1. Eligible and ineligible expenditure

Gavi adopts the concept of eligibility of expenditures under its standard grant agreement. Eligible expenditures are those which are accepted as fully valid under a grant as they are either part of the approved budget or fall under Gavi's budget flexibilities.

Ineligible expenditures are those expenses incurred which are found to be not compliant with the grant agreement and/or the appropriate financial and procurement procedures of the implementer/grant. A non-exhaustive list of expenditures that could potentially be considered as ineligible by Gavi may include:

- Expenditures for goods and services not included in the approved detailed budget;
- Expenditures incurred outside of the grant implementation period;
- Expenditures not duly authorised by the appropriate authority as stipulated in the Manual of Procedures and/or signature authority and approval procedure of the implementer (e.g. missing and/or wrong signatory on the payment voucher or instruction to the bank);
- Prices in excess of the prevailing market prices for goods and services without proper justification (in which case ineligibility may only relate to the value above market price);
- Any amounts without proper supporting documentation;
- Fraudulent expenditures (as verified by assurance providers), such as expenditures with falsified/fake receipts, contracts with fictitious suppliers, contracts involving collusion or nepotism between implementer and suppliers, and any other procurement irregularities;
- Recoverable taxes not recovered by the implementer within a reasonable period of time;
- Use of interest income and/or other revenues to incur expenditures outside the scope of the approved programme, without the prior approval of Gavi;
- Funds used to purchase vaccines;
- Funds used to meet Gavi's requirements to co-finance vaccines and related devices;
- Amounts used to purchase non-pre-qualified health equipment.

2. Sustainability

A primary gauge of sustainability in Gavi budgets is the level of recurrent costs compared with one-off costs to support a specific intervention. HSS grants may be used to support such costs (including human resource remuneration and transport costs) only when there is a clear justification, including a strong link to coverage and equity outcomes. Where Gavi grants support such recurrent costs there needs to be a clear 'exit' plan, whereby such costs are taken over from other sources over time. Preparatory transition and Accelerated transition countries are discouraged from using HSS grants for recurrent costs.

In Annex B Gavi provides an indication of the acceptable level of certain costs as the country transitions away from Gavi funding.

3. Funding assurance

Gavi's business model involves a Geneva-based Secretariat with no direct presence in-country. Instead it relies mostly on third parties to provide assurance that funds are being used for the intended purpose and that programmes are performing. Gavi has a mutual interest with governments that funds are being put to best use. Accordingly, Gavi grant budgets are expected to contain sufficient provision for assurance activities to provide credibility to the results and expenditures, covering both local as well as Gavi interests. This may include financial assurance activities such as external audit and internal audit, including related operational costs. On the programmatic and vaccine sides it may include such activities as M&E supervisory visits, surveys and internal audit costs.

Gavi will look favourably on budgets which contain a reasonable allocation towards assurance costs although it is impossible to quote a range.

4. Level of risk inherent in the budget

Gavi is focussed on the management of risk in its grant investments. A Gavi budget should reflect an acceptable level of fiduciary risk. This refers primarily to the risk of misuse through fraud/abuse or overpricing and poor value. The budget should avoid over-allocations towards activities which are inherently risky, and for which there is an absence of strong internal controls. Budgets containing high allocations to higher risk activities may need to be re-allocated.

High risk activities will depend on the context and may be related to the activity itself (inherent risk) and also the absence of any mitigating factors. Some examples may include: (1) excessive training costs with a high proportion of per diems (with weak controls over validation of cash payments), (2) printing costs following past misuse, (3) construction costs where there are no comparable cost

benchmarks, (4) fuel where there is significant risk of multiple funding sources, (5) allowances where approval controls are weak, (6) items to be procured where there is no cost benchmark.

5. Other specific expenditure categories

5.1. Human resources (HR) remuneration

The payment of salaries, salary top ups, incentives and other allowances through a Gavi HSS grant, is possible under certain conditions, and with the prior approval of the Coordination Forum (ICC/HSCC or equivalent), and following the endorsement of the Independent Review Committee (IRC) or High Level Review Panel (HLRP). Some specific guidelines apply:

- Financial support requested for salaries, salary top ups and incentives must be aligned to country policies and regulations, supported by in-country partners and other donors, and transparently presented through the application process;
- There should be no duplication with funds from other sources;
- Parallel salary, top ups or incentive scales will not be eligible;
- Investments in human resource remuneration through HSS (including PBF portion) and Ops are discouraged in Preparatory transition and Accelerated transition countries for sustainability reasons (refer table below); and
- The approach for supporting HR capacity differentiates between the management level and the service delivery level. To promote sustainability it also differentiates countries based on status with regards to transition.

The table below provides general guidance on the use and restrictions for HR support:

Initial self-financing countries	Preparatory transition countries	Accelerated transition countries
Approach in Service Delivery		
HSS and Performance Payments: can be used for salaries, top-ups, incentives and per diems / allowances for staff with a strong priority for areas of low coverage	HSS and Performance Payments: can be used for HR remuneration and per diems/allowances in exceptional circumstances only	
VIGs can be used for short term HR remuneration and per diem/allowances associated with the introduction of a new vaccine with a strong priority for areas of low coverage; and can be used for recurring HR support in exceptional circumstances only		
Ops can be used for short-term HR remuneration and per diems/allowances with a strong priority for areas of low coverage; and can be used for recurring HR support in exceptional circumstances only	Ops can be used for HR support in exceptional circumstances only (e.g., residual grants for improving coverage in low coverage areas)	Ops may not be used

Initial self-financing countries	Preparatory transition countries	Accelerated transition countries
Product Switch Grant: can be used for short term health worker remuneration and per diem / allowances associated with product or presentation switch; and can be used for recurring HR support in exceptional circumstances only		
Approach at Management Level		
HSS and Performance Payments: can be used for time-limited HR remuneration for critical and specific new positions (or for staff funded under a previous grant) <ul style="list-style-type: none"> - For additional administrative staff; if this is not feasible: - For external staff (individual consultants) that the government contracts directly or through local intermediaries¹. These are to be embedded in the respective team (e.g. EPI team) and report to a senior team member (e.g. EPI manager) 		In exceptional circumstances only (in particular to focus on addressing inequities in coverage)
Other types of financial support are typically not used		

For an exhaustive guidance on the criteria and requirements for use of new Gavi financial support for human resources (HR) capacity, please refer to the dedicated guideline: *Supporting government human resources capacity through funding salaries, top ups and incentives - Information for countries eligible for Gavi support* available here: <http://www.gavi.org/library/gavi-documents/guidelines-forms/>.

5.2. Capital/fixed assets

Gavi funding may be used to purchase fixed assets for relevant purposes noting that large items such as infrastructure, procurement of vehicles, large cold chain equipment or other investment assets should be budgeted for under Gavi HSS grants only. Non-HSS grant funds should not usually be used for these activities unless otherwise agreed to between Gavi and the implementing entity.

Within the Gavi cost framework assets fall under the following categories:

Cost grouping	Cost input
Transport	Vehicles
Health products, consumables and equipment	Health equipment
Cold chain	Cold vehicles and equipment

¹ Core or expanded partners based in country.

Infrastructure and non-health equipment	Construction/renovation, fixture & fittings, IT equipment
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The applicant is responsible for the proper maintenance and care of any such items purchased and should cover such additional costs from other sources or include them in the budget request.

All budgets that include financing for cold chain equipment intended for vaccine storage shall need to procure pre-qualified equipment by WHO through the Performance Quality and Safety (PQS) programme. The purchase of non-PQS pre-qualified equipment will only be considered on an exceptional basis, with justification and advance agreement from Gavi.

In case of proven competitive advantage, procurement of large items through UN agencies should be used as a priority to ensure value-for-money.

5.3. Programme administration costs – indirect costs/overheads

Gavi may finance indirect and overhead costs associated with grant implementation where such costs have been agreed in the budget (e.g. rent, electricity, utilities, mail, telephone, internet, insurance, fuel, security, cleaning etc.).

In principle:

- The budget should include only the actual costs attributable to the activity being funded by the grant (or a reasonable approximation thereof);
- A flat rate to cover any costs would not be acceptable²; and
- The budget should not bear any profit element or margin above cost.

To include a budget for a Gavi apportionment of shared indirect costs³ the budget should:

- Show the contribution expected from Gavi;
- Provide sufficient details of the total cost of the item (by nature, with all assumptions including quantities and unit costs; and
- Provide the rationale and method behind the allocation of costs to Gavi.

The assumptions and methodology used for apportionment of budgets of shared activities should be clearly disclosed. When relevant and available, historical costs should be taken into account. The actual shared costs expended and reported to Gavi should be based on the actual expenditure incurred by the implementer and not the budgeted amount.

² Except for UN agencies where specific arrangements with Gavi may apply based on the respective agreement between Gavi and the agencies.

³ Shared costs are defined as costs that are allocated to two or more funding sources - Government, Gavi, Global Fund, other donors etc.

5.3.1. Taxes (within programme administration costs)

As noted in the legal agreements signed between Gavi and the country, Gavi funds shall not be used to pay any taxes, customs, duties, toll or other charges imposed on the importation of vaccines and related supplies. The government shall make reasonable efforts to set up appropriate mechanisms to exempt from duties and taxes all purchases made locally and internationally with Gavi funds.

Therefore all budgets submitted to Gavi should be net of taxes. When tax exemption is obtained on a reimbursement basis (i.e. the grant recipient has to pay the taxes first and then claim reimbursement), the recipient must maintain a tracking mechanism for taxes paid, claimed and reimbursed. This should be reported on an annual basis as part of the annual financial reporting.

The budget may include a provision related to the cash flow needs required to advance the taxes. This should be requested in the budget and supported by cash-flow forecasts related to tax payment and recoveries. A specific follow-up of this amount will be requested through the relevant annual financial reports.

Reimbursable taxes paid but not recovered may be considered as ineligible expenditures. Gavi shall have the right to request reimbursement of such unrecovered taxes.

Annexes

Annex A: Gavi cost framework

Annex B: Indicative ranges and other rates for certain costs based on progress towards transition

Annex A: Gavi cost framework

Cost grouping	Cost Inputs	Category description
1. Human Resources (HR)	1.1 Salaries & Wages (programme management/admin staff)	Salaries and wages (1.1 and 1.2) should include all salaries, wages and other allowances or benefits (e.g. social security contribution, housing, pension), provided as part of the standard remuneration package. Allowances for vaccination campaigns and outreach or similar tasks should be included under 1.4 - allowances. The category does not include per-diems/allowances linked to training, meetings and other events which do not involve service delivery.
	1.2 Salaries & Wages (health, technical and outreach staff)	
	1.3 Performance-based supplements, incentives, top-ups	
	1.4 Allowances for service delivery: vaccinators, outreach and similar	
	1.5 Other HR costs	
2. Transport	2.1 Vehicles - Cars and pick-ups	Costs related to the procurement of vehicles and other assets used for the transportation of supplies or personnel. For imported items this would normally be on a CIF costing basis. Also includes fuel and maintenance for routine transportation. Includes allowances/cost reimbursable for travel required for service delivery or routine supervision and management. Salary/wage costs for drivers remains in category 1.1. Does not include travel cost related to trainings, meetings & other events which is separately covered under category 6 - Event-related costs.
	2.2 Vehicles - Motorcycles	
	2.3 Vehicles - Trucks	
	2.4 Vehicles - Boats	
	2.5 Fuel for vehicles	
	2.6 Vehicle maintenance	
	2.7 Transport allowances	
	2.8 Other transports costs	
3. External Professional Services (EPS)	3.1 Consultancy costs	Includes the costs of all consultancy fees for technical/management assistance and specific categories for fiduciary agents and external audit fees. Associated accommodation and subsistence costs are treated as separate categories.
	3.2 Fiscal/Fiduciary agent costs	
	3.3 External audit costs	
	3.4 Other EPS costs	
4. Health Products, consumables and equipment	4.1 Immunisation session supplies	Costs of health products and consumables which are not covered by the in-kind support provided through Gavi's NVS grant portfolio. Includes the cost of printed materials such as vaccination cards and registers. Also health equipment such as incinerators, microscopes with the associated running/maintenance costs
	4.2 Waste management supplies	
	4.3 Other health products and consumables	
	4.4 Health equipment	
	4.5 Health Equipment - running and maintenance costs	
	4.6 Other health products, consumables and equipment	

Annex 1: Guidelines on detailed budgeting

Cost grouping	Cost Inputs	Category description
5. Event related (meetings, trainings, workshops, launches)	5.1 Meetings	<p>Costs specifically allocated to the conduct of meetings, workshops, trainings, launches or other public events</p> <p>Does not include HR costs associated with the event (e.g. admin staff cost) which should be included in category 1 - Human Resources. Does not include drivers per-diems, that should be included in category 2 - Transport</p> <p>Costs related to training delivered through other means than events e.g. e-learning, may be included under other related costs 5.5</p>
	5.2 Trainings	
	5.3 Workshops	
	5.4 Launches	
	5.5 Other event related costs	
6. Cold Chain	6.1 Cold storage large equipment	<p>Includes specific cold chain related costs, i.e. procurement/purchase of storage equipment (freezers, fridges); cold vehicles (refrigerated boats, trucks, etc.); small equipment (vaccine carrier, ice packs); and maintenance (including reparation, upgrading, service costs) and additional equipment e.g. generators and solar installations.</p> <p>Also includes joint-investment share of CCEOP-eligible equipment.</p>
	6.2 Cold vehicles	
	6.3 Cold chain small equipment	
	6.4 Cold chain running and maintenance costs	<p>Does not include costs linked to cold chain infrastructure (e.g. construction of cold chain facilities) which falls under category 7 - Infrastructure, nor costs related to training and HR which fall under separate categories.</p>
	6.5 Joint-investment for CCEOP	
	6.6 Other cold chain related costs	
7. Infrastructure (INF) and Non-Health Equipment (NHE)	7.1 Construction and renovation	<p>Includes construction, renovation or rehabilitation of facilities, furniture and fittings, and IT and telephony equipment. Non-health equipment includes generators for example. Also includes associated running and maintenance costs.</p>
	7.2 Furniture and fittings	
	7.3 IT equipment, telephony, software and connectivity	<p>Does not include EPS linked to software creation or tool design (cat. 3)</p>
	7.4 Maintenance	
	7.5 Other infrastructure and non-health equipment costs	
8. Communication Materials and Publications	8.1 Printed materials	<p>Communication materials include any printed materials and other communication costs associated with the immunisation programme, TV spots, radio airtime, advertising, media events, education, dissemination, promotion, promotional items.</p>
	8.2 Television/radio spots and programmes	
	8.3 Promotional materials (non-print)	<p>Any HR or technical assistance component should be included under category 1 – HR, or category 3- External professional services.</p>
	8.4 Other communication material and publications	
9. Programme Administration (PA)	9.1 Office related costs	<p>Office related costs includes other indirect costs related to office administration e.g. office supplies, consumables, rent, utilities, mail, telephones, internet, bank charges, security. This excludes services provided by external professionals (cat.3) and related HR costs (cat.1).</p>
	9.2 Unrecoverable taxes and duties	
	9.3 Program support costs (PSC) - UNICEF	
	9.4 Program support costs (PSC) - WHO	
	9.5 Other programme administration costs	

Annex B: Indicative ranges and other rates for certain costs based on progress towards transition

Activity categories	General comment on eligibility for funding	Co-financing group		
		Initial self-financing	Preparatory transition phase	Accelerated transition phase
HSS GRANTS ONLY				
Recurrent operational costs (not covered by OG on human resources) e.g. fuel, transport allowances, printing, supervision visits, maintenance	In general should not be charged through HSS grants unless there is a clear link to strengthening of systems. Exceptions include for example, maintenance costs for cold chain equipment	Maximum 20-25%	Maximum 10-15%	Only exceptional cases
ALL GRANTS				
Human resource costs – refer to Gavi operational guideline				
Programme management costs	Only costs that are incremental to the Gavi HSS grant should be charged. Gavi grants should not take on the costs of recurrent programme costs that would exist without Gavi funding. No %-based charges may be levied unless agreed institutionally	Specific costs which in total represent no more than 10-15% of the grant	Specific costs which in total represent no more than 10% of the grant	Specific costs which in total represent no more than 5% of the grant