FOR DECISION

The annual GAVI Alliance administrative budget finances the operations of the Secretariat. The two-year GAVI Alliance work plan budget finances programmatic activities conducted by the GAVI Alliance multilateral partners: WHO, UNICEF, the World Bank and the Secretariat.

The 2009-2010 work plan budget was approved in October 2008; the Secretariat is providing an update to the Board which shows decreased spending in 2009 and a decreased budget for 2010 as a result of the Secretariat's commitment to find cost savings.

The Board is requested to:

- Approve a GAVI Secretariat administrative budget of US$ 42,087,983
- Approve a Capital Expenditure budget of US$ 470,000 for 2010
- Take note of decreased work plan spending in 2009 and a reduced 2010 work plan budget of US$ 74,910,959 (from $82.1m – a 8.7% decrease)

The Audit and Finance Committee has reviewed this budget and recommends it for approval.

GAVI 2010 administrative and work plan budget

As a responsible steward of donor resources the GAVI Alliance is committed to provide a cost-effective business model with low overhead costs. The annual GAVI Alliance Administrative Budget finances the operations of the Secretariat. The two-year GAVI Alliance work plan budget finances programmatic activities conducted by the GAVI Alliance multilateral partners: WHO, UNICEF, The World Bank and the Secretariat.

The 2010 Administrative budget is presented for Committee review. The 2009-2010 work plan budget was approved in October 2008; the Secretariat is providing an update to the Audit and Finance Committee which shows decreased spending in 2009 and a decreased budget for 2010.

Administrative budget

The Secretariat provides the Alliance with a low-cost platform in support of GAVI's mission. GAVI's administrative budget[1] today and in the future represents 4% of total projected expenditure; over time the ratio between administrative costs and programmes has continued to decrease.

The 2010 budget proposal is $42.1m, an increase of 4% when compared to 2009 budget. Given that approximately 60% of the administrative budget is driven by personnel related costs, the budget increase is largely due to the three new positions requested.

[1] Excludes the cost of administering the private philanthropy team housed in the U.S. 501 (c)(3).

FOR DECISION

Table 1 below details expenditures and the change over the 2009 budget and 2009 estimated actuals.

Table 1: GAVI Secretariat Administrative Budget ($m)

					2010b vs. 2009e		2010b vs. 2009b	
	2009b	2009e	2010b	2010b %	Δ		Δ	
Payroll and Benefits	19.8	17.2	21.7	51%	4.5	26%	1.9	10%
Training and Recruitment	0.8	1.1	0.8	2%	(0.3)	(29%)	(0.0)	(5%)
Professional Fees	5.8	6.1	5.6	13%	(0.5)	(7%)	(0.2)	(4%)
Media Production and Distribution	0.5	0.5	0.6	1%	0.1	21%	0.1	17%
Events and Meetings	1.3	1.1	1.2	3%	0.1	13%	(0.0)	(1%)
Travel and Representation	3.4	3.1	3.4	8%	0.3	10%	(0.1)	(2%)
Facility and Office Costs	8.3	8.3	8.5	20%	0.1	2%	0.1	1%
Supplies and Minor Equipment	0.3	0.2	0.4	1%	0.1	48%	0.0	15%
Total Administrative	**40.3**	**37.6**	**42.1**	**100%**	**4.5**	**12%**	**1.8**	**4%**
Transition Budget	6.3	5.8	-	-	(5.8)	(100%)	(6.3)	(100%)
Grand Total Administrative	46.6	43.4	42.1	100%	(1.3)	(3%)	(4.5)	(10%)

Note that there is a projected under-spend of $2.7m in 2009 versus the original budget. This is largely due to hiring delays of approximately 15 staff (FTEs). In addition, Secretariat management decided in 2009 to proactively reduce the budget, with particular focus on staff travel; this resulted in approximately $0.6m in savings (See Annex 1 for details). GAVI will have its full complement of 2009 approved staff by the start 2010, so actuals are expected to be much closer to budgets than in 2009.

The 2010 budget increases over the 2009 budget by 4% or $1.8m. The majority of the increase is due to the three new headcount requests ($0.7m) and the cost of annualizing previously approved headcount ($0.5m); the remaining increase relates to annual cost of living adjustments and employee benefit costs (3% of payroll & benefits budget). Recruiting, travel and professional fees slightly decrease from 2009 estimate, while there are small increases in media production and in facility costs (rent-related).

The following sections explore the main areas in the administrative budget – payroll & benefits and headcount, professional fees, facility and office costs/supplies and minor equipment, and capital expenditures.

Payroll & Benefits and Headcount

GAVI Secretariat headcount stands at 117[2] Board approved positions for 2009. GAVI is requesting 3 new positions and to convert 4 long-term temporary positions that are already in the budget as core ongoing functions.

[2] The headcount approved by the Board in October 2009 was for 123 positions. However, this included 6 private philanthropy positions which are now removed as the private philanthropy team reports to the Board of the GAVI Fund (Immunize Every Child) which has its own budget.

FOR DECISION

The 3 new headcount are needed to strengthen the core Secretariat functions are as follows:

- *EO – Managing Director, Special Projects*
  - This position is actually already functioning and provides senior leadership to strategic cross cutting projects in collaboration with the Deputy CEO. It is currently focused on managing GAVI's commitment to develop a joint platform for health systems strengthening in conjunction with the Global Fund and the World Bank.
- *Policy & Performance Team – Policy and Performance Officer*
  - This post is required to meet increasing demand for complex analytical work from donors, the Board, and the Programme and Policy Committee. Additional capacity will strengthen the team's ability to address urgent issues including programme prioritisation, demand forecasting, revision of the co-financing policy, GAVI's supply strategy and procurement principles, and improve consultation with partners and stakeholders. The position will also contribute to strategy development and improving the evidence and business case for the Alliance.
- *Programme Delivery Team – Director, Proposals and Annual Reviews*
  - The post is required for overall responsibility for joint country proposal reviews and grant renewal processes to strengthen accountability and performance management. This position will provide senior leadership in strategic analysis of country applications, grant renewals and country updates.

Table 2: GAVI Secretariat Headcount

	2009			Temp to Perm			New Requested			2010
	GVA	DC	Total	GVA	DC	Total	GVA	DC	Total	Total
Executive Office & Governance	11	3	14	-	-	-	1	-	1	15
Policy & Performance	11	1	12	-	-	-	1	-	1	13
Programme Delivery	16	-	16	1	-	1	1	-	1	18
Finance & Operations	33	14	47	2	-	2	-	-	-	49
External Relations	23	-	23	1	-	1	-	-	-	24
Internal Audit/TAP	5	-	5	-	-	-	-	-	-	5
Total	99	18	**117**	4	-	**4**	3	-	**3**	**124**

Analysis: The table below tracks those costs that are personnel-related and breaks down how the Secretariat per capita costs have changed since 2006. Instead of using approved headcount, this analysis uses effective full time equivalents (FTE) taking into account vacancies and timing of hiring. Out of 117 approved positions, an average of 103 has been filled over the course of 2009. The decrease from the 2009 estimate to the 2010 budget is due to a reduction in recruiting costs. Also note a reduction from 2008 averages; this is due to higher running costs in 2008 before the transition, as well as Swiss Franc appreciation against the US dollar.

FOR DECISION

Table 3: Personnel Driven Expenditures - Cost per Effective Average FTE ($k)

	2006	2007	2008	2009e	2010b	Δ	
Permanent FTE	54	85	90	103	124	21	20%
Temporary FTE	0	0	8.5	4.5	0	(4.5)	(100%)
Average FTE	**54**	**85**	**98.5**	**108**	**124**	16.5	**15%**
Costs per average FTE:							-
Payroll and Benefits	143	154	190	160	160	0.0	0%
Training and Recruitment	12	8	8	10	7	(3.1)	(29%)
Travel and Representation	39	34	7	28	28	0.0	0%
Total	**194**	**197**	**205**	**199**	**196**	(3.1)	**(2%)**

Professional Fees

The Secretariat utilises its professional fees budget to engage external technical and expert advisors and consultants as needed. The majority of the professional fees are related to audit, accounting, media and fundraising consultancies, legal fees and other operating costs, and a small amount relate to new projects. The decrease in fees is due to in-sourcing accounting functions and thus using external agencies to a far lesser degree. This is offset by increases due to strategic projects relating to HSS, intellectual capital, and H8 participation, as well as projects required by the new internal auditor and HR study costs. A breakdown by type is provided in the table below:

Table 4: GAVI Secretariat Professional Fees ($m)

	2007	2008	2009e	2010b	Δ
Audit, Accounting & Financial Controls	1.5	1.6	2.2	1.2	(1.1)
Legal Fees	0.8	0.5	0.8	0.8	-
Media, Advocacy & Fundraising	1.0	0.8	1.2	1.2	-
AX & IT Projects	0.1	0.2	0.8	0.8	-
All Other*	2.8	1.4	1.1	1.7	0.6
Total	**6.1**	**4.5**	**6.1**	**5.6**	**(0.5)**

*Other includes special projects, internal audit, board member support, HR consulting, and temporary capacity

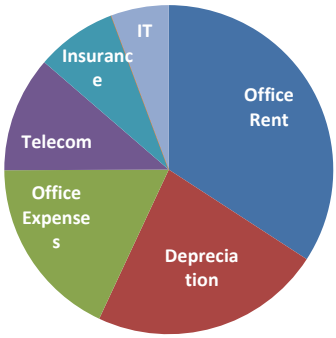
Facility and office costs / supplies and minor equipment

Table 5 below shows all main budget components of facility related costs and their change over 2009 estimates. The slight increase in office related expenditures is explained by increases in rent, telecom, insurance, and general office expenses due to regular vendor price increases. The increases are offset by a reduction from the completion of the ground floor building project in the Geneva office.

FOR DECISION

Table 5: GAVI Secretariat Facility & Office Costs/Supplies & Minor Equipment ($m)

	2009e	2010b	Δ	
Office Rent (net of revenue)	2.8	3.0	0.2	7%
Depreciation	2.0	2.0	-	0%
General Office Expenses	1.3	1.6	0.3	22%
Telecommunication	0.9	1.0	0.1	11%
Insurance	0.6	0.7	0.1	13%
Ground Floor Project	0.5	-	(0.5)	(100%)
IT	0.4	0.5	0.1	25%
Total	**8.5**	**8.8**	**0.3**	**3%**



Capital Expenditures

The table below lists all planned capital expenditure projects for 2010 showing how much of the cost is capitalised or expensed. The impact on the 2010 budget is included in "Facilities and Office Costs" and "Supplies and Minor Equipment."

Table 6: Capital Expenditures ($k)	Project Cost (Capitalised)	2010 Depreciation
Financial Management System (AX) Upgrade	190	32
IT Projects		
Disk Space	140	23
Software Licenses Server/Client	50	8
Server Hardware	60	10
GAVI Website Hardware/Software	30	5
TOTAL	**470**	**79**

Financial Management System: The request for $0.2m in 2010 to upgrade Microsoft Dynamics AX hardware and software requirements is due to Microsoft no longer supporting the version GAVI currently uses.

IT Projects: Proposed IT projects total $0.3m cash/$0.05m depreciation for 2010. These costs relate to continuing to ensure GAVI's IT platform and website is up to date and runs smoothly across both offices.

Work plan budget

The 2009-2010 work plan is derived from the 2007-2010 Strategy approved by the Boards in June 2006 and is articulated around four strategic goals:

FOR DECISION

1. Contribute to strengthening the **capacity of the health system** to deliver immunisation and other health services in a sustainable manner
2. Accelerate the uptake and use of **underused and new vaccines** and associated technologies and improve vaccine supply security
3. Increase the predictability and sustainability of long-term **financing** for national immunisation programmes.
4. Increase and assess the **added value of GAVI** as a public-private global health partnership through improved efficiency, increased advocacy, and continued innovation.

In 2008, a biannual work plan and budget was developed for 2009 and 2010 and approved at the October Alliance board meeting totalling $78.3 million for 2009 and $79.3 million for 2010. However, as highlighted to the Board at that meeting, these budget totals included placeholder budgets of $7.3m per year for outsourced activities to support the Accelerated Vaccine Initiative (AVI). This contract for these activities, which has been awarded to PATH and is called the AVI Technical Assistance Consortium (AVI TAC), frontloads activities resulting in higher payment schedules than the placeholder ($15m and $10.7m for 2009 and 2010 respectively). Thus the real work plan budgets became $85.3 million for 2009 and $82.1 million for 2010.

Work plan budget reductions

At the GAVI Alliance Board meeting in June 2009, in the light of the global financial environment the Secretariat and work plan partners committed to reduce work plan expenditures.

As a result, the Secretariat, WHO and UNICEF cut their 2009 budgets and all entities including the World Bank cut their 2010 budgets. These savings have been largely achieved by reducing the costs of activities, as opposed to cutting activities. The AVI TAC budget has not been reduced for two reasons: The contract, which was finalised in January 2009, includes multiple sub-contractors; reducing budgets would have been extremely complicated on such a new and complex contract. Furthermore, given the priority of introducing rotavirus and pneumococcal vaccines, the Secretariat felt that these activities should not be constricted.

Table 7: GAVI Alliance Work Plan Change by Partner ($m)

	2009			2010		
	Budget	Estimate	% Δ	Original	Final	% Δ
WHO	42.1	41.5	(1%)	48.8	43.6	(11%)
UNICEF	6.8	6.1	(10%)	7.1	6.4	(10%)
World Bank	2.5	2.5	-	2.5	2.3	(10%)
ADIPs/AVI TAC	21.1	21.0	(1%)	14.2	14.1	(0%)
GAVI Secretariat	12.7	10.8	(15%)	9.5	8.5	(10%)
Total Work Plan Expenses	**85.3**	**81.9**	**(4.0%)**	**82.1**	**74.9**	**(8.7%)**

The chart below shows the breakdown by strategic goal. The partners and the GAVI Secretariat are still working to complete the majority of the activities as outlined in

FOR DECISION

the work plan within the new budget figures. Within the Secretariat, the majority of the reduction was taken around strategic goal 4: GAVI added value, as this is the area with the most flexibility to postpone activities into future years. Partners have committed to savings in the budget but have yet to give detailed information about what might not be achieved, as this will take more time and consideration at the regional level.

Table 8: GAVI Alliance Work Plan Change by Strategic Goal ($m)

	2009			2010		
	Budget	Estimate	% Δ	Original	Final	% Δ
SG1: Health Systems	18.9	18.0	(5%)	15.8	14.4	(9%)
SG2: New Vaccines	50.3	49.5	(2%)	51.1	46.8	(8%)
SG3: Sustainable Financing	7.4	6.6	(10%)	7.7	7.2	(6%)
SG4: GAVI Added Value	8.7	7.8	(11%)	7.6	6.5	(14%)
Total Work Plan Expenses	**85.3**	**81.9**	**(4.0%)**	**82.1**	**74.9**	**(8.7%)**

Annexes

1. 2009 Budget vs. Estimate
2. Potential Variances to 2010 Budget

ANNEX 1

2009 budget vs. estimate: GAVI Secretariat work plan, administrative, and transition budgets

Based on January through September spending rates and after consultation with all teams, the following table shows estimates on likely year-end budget implementation. Only the Secretariat figures are shown below for the work plan; WHO, UNICEF and World Bank work plan estimates are not available.

GAVI Secretariat 2009 Year End Estimate ($m)		Budget	Estimate	Variance	
		2009	YE 2009	$	%
Work Plan (Secretariat portion)					
SG1	Strengthening Health System Capacity	3.3	2.9	0.4	13%
SG2	New Vaccines	0.2	0.2	0.0	0%
SG3	Innovative Financing	2.2	1.6	0.6	26%
SG4	GAVI Added Value	7.0	6.1	0.9	13%
Total Work Plan Expenses		**12.7**	**10.8**	**1.9**	**15%**
Administrative					
Payroll and Benefits		19.8	17.2	2.6	13%
Training and Recruitment		0.8	1.1	(0.3)	(34%)
Professional Fees		5.8	6.1	(0.2)	(4%)
Media Production and Distribution		0.5	0.5	0.0	3%
Events and Meetings		1.3	1.1	0.2	13%
Travel and Representation		3.4	3.1	0.4	11%
Facility and Office Costs		8.3	8.3	0.0	0%
Supplies and Minor Equipment		0.3	0.2	0.1	22%
Total Admin Expenses		**40.3**	**37.6**	**2.7**	**7%**
Transition Budget		**6.3**	**5.8**	**0.5**	**8%**
Grand Total		**59.3**	**54.2**	**5.1**	**9%**

Administrative expenses are expected to be under-spent by about 7%. This is mostly due to savings in the payroll line ($2.6m). In 2008 the Board approved a headcount increase of 19; the challenges of recruiting this number of new staff, plus staff turnover during the course of 2009, led to hiring delays (of 15 staff). Due to these late hires, there is also a savings in the travel line of $0.4m. The Secretariat also made an effort to find savings in 2009, and travel was one of these areas. Some of the savings is offset by increased recruiting costs ($0.3m) and professional fees ($0.2m) due to higher than expected need for out-sourced accounting help.

The Transition budget as approved totals $9.5m to be spent over 2008 and 2009. The Secretariat anticipates a savings of $0.5m in 2009, due to the fact that the budgeted contingency was not needed.

ANNEX 2

Potential variances to 2010 budget

The table below shows estimated sources for potential volatility around the 2010 budget for the administrative and work plan expenditures.

Administrative expenditures – base scenario		$42.2m
+/-	Exchange rate: the budget is built around an exchange rate assumption of 1.11CHF/1USD. The entire Geneva portion of the administrative budget ($34.5m) is sensitive to changes in the exchange rate, and a 10% sustained appreciation or depreciation of the Swiss Franc would have a $3.5m impact either way.	3.5m
Range	$38.7m - $45.7m	

Work plan expenditures – base scenario		$74.9m
+/-	Exchange rate: the budget is built around an exchange rate assumption of 1.11CHF/1USD. The entire Geneva portion of the work plan budget ($19.5m) is sensitive to changes in the exchange rate, and a 10% sustained appreciation or depreciation of the Swiss Franc would have a $2m impact either way.	2m
Range	$72.9m - $76.9m	