

2023 Work Plan, Budget Narrative and Operating Expenses Budget

48th Board Meeting

GF/B48/02A- Revision 1

15-17 November 2022, Geneva, Switzerland

Board Decision

Purpose of the paper: Following the outcome of the Seventh Replenishment conference held on September 21st in New York, and subsequent deliberations of the Audit and Finance Committee (AFC) held on 13-14 October 2022 & 9 November 2022, this document provides a narrative complement on the strategy costing outcomes for the 2023 Work Plan and Budget Narrative and 2023 Operating Expenses Budget. At the additional session of its 20th meeting in November 2022, when additional pledges were still unconfirmed, the AFC recommended for Board approval the 2023 Operating Expenses Budget of US\$ 335.4 M. Subsequently and until the Board meeting, additional pledges were confirmed, leading to the finalization of the Sources of Funds. On the basis of the additional pledges, which are higher than the previously determined base case scenario, the Secretariat proposes the revised 2023 Operating Expenses Budget of US\$ 340 M, enabling funding of identified gaps for strategy implementation. This paper includes the Secretariat recommendation to supplement the AFC recommendation, reflected in the Board decision point to approve the 2023 Work Plan and Budget Narrative and the 2023 Operating Expenses Budget of US\$ 340 M. This paper complements the 2023 Operating Expenses Budget presentation, GF/B48/02B_Rev1.

Decision

Decision Point: GF/B48/DP05: 2023 Work Plan and Budget Narrative and the 2023 Operating Expenses Budget

Based on the recommendation of the Audit and Finance Committee (AFC), and the recommendation of the Secretariat to supplement the AFC's recommendation, the Board approves the following:

- i. the 2023 Work Plan and Budget Narrative, as set forth in GF/B48/02A – Revision 1; and
- ii. the 2023 Operating Expenses Budget in the amount of US\$ 340 million (comprising (i) PART A Secretariat Operating Expenses of US\$ 272 million, which includes US\$ 16.5 million for the Office of the Inspector General's 2023 Operating Expenses; and (ii) PART B In-Country and Independent Bodies of US\$ 68 million), as set forth in GF/B48/02A – Revision 1.

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 4.

Executive Summary

Context

The Global Fund Work Plan and Budget Narrative forms a key component of the financial reporting, planning and control structure of the organization. The document sets out key priorities for the year ahead and provides activities funded through the Global Fund's operating expenses (OPEX) budget, which complements activities supported by catalytic investments, C19RM and HTM grant funds, and the contributions of implementers and partners, to drive the objectives of the new 2023 - 2028 strategy (Strategy).

The Strategy requires a continuous drive on HTM & RSSH activities to achieve impact and get back on track towards achieving the 2030 goals. This invariably implies development of high quality and implementation-ready grants along the Strategy, which will also embed integrated, people-centered systems for health, covering pandemic preparedness among others. It is therefore essential to enhance organizational capabilities at the Secretariat level to deliver those strategic priorities and imperatives through optimized processes, systems and structures, while also strengthening monitoring and evaluation functions, while ensuring the adequate level of human resources to deliver the Strategy.

Questions this paper addresses

- A. What is the proposed 2023 Budget?
- B. What are the key drivers of the 2023 Budget?

Conclusions

- A. Defining the 2023 Operating Expenses Budget (2023 Budget) was done in a difficult context, with some major pledges still unconfirmed after the Seventh Replenishment Conference in September 2022. This brought a tension point on the finalization of the sources of funds which invariably impacted the determination of the 2023 Budget. A base case on Sources of Funds was established with a flatlined scenario for 2023 Budget, including limiting gaps for strategy implementation and operational 'hot spots'.

Subsequently between the November AFC meeting and the Board Meeting, additional pledges were confirmed, leading to the finalization of the sources of funds. On the basis of the additional confirmed pledges, which are higher than the base case scenario, the Secretariat proposes to supplement the AFC recommendation for the 2023 operating expenses budget by an additional US\$ 5 M. The Secretariat therefore proposes a revised 2023 Budget of US\$ 340 M (US\$ 272 M for the Secretariat and US\$ 68 M for In-Country & Independent Bodies), with the overall budget flexibility for emerging and priority needs limited in a context of increasing workload and well-being matters.

The supplementation of the AFC recommendation will unlock additional funding for identified gaps, including priorities such as: CCMs, critical additional workforce needs including for country teams and communities, rights & gender, and reduction in previous cutbacks that were applied on process & systems optimization.

The 2023 Budget was finalized in the context of prioritization and trade-off decisions across funding streams to best deliver impact and protect the levels of sources of funds for country allocation.

- B. The 2023 Budget is designed to accelerate and launch the Strategy delivery of core programs for 70% of the Global Fund's portfolio in an evolving pandemic and resource constrained context, while at the same time addressing the key imperative of funding sufficient resources to deliver a successful grant making year in 2023.

Input Sought

The Board is requested to approve the Decision Point presented on page 2.

Input Received

During the AFC's 20th meeting in October 2022, guidance was provided for the Secretariat to apply prioritization across funding streams in the context of a challenging Seventh Replenishment outcome with some major donors still pending finalization of their pledges. The objective being to maximize the impact of available sources of funding for country allocations among others. These restraints, along with a difficult economic context exacerbated by inflationary pressure has informed the Secretariat's approach to develop the proposal for the 2023 Budget.

Subsequently at the additional session of its 20th meeting in November 2022, the AFC approved the recommendation to the Board of the 2023 Work Plan and Budget Narrative. On this basis, the AFC further approved the 2023 Budget for an amount of US\$ 335.4 M, together with the reclassification of PSEAH from Part A to Part B, as communicated by the Secretariat during their presentation, resulting in US\$ 267.9 M for the Secretariat Operating Expenses and US\$ 67.5 M for In-Country & Independent Bodies (previously US\$ 265.7 M & US\$ 69.7 M, respectively).

Report

A. Proposed 2023 Work Plan, Budget Narrative and Operating Expenses Budget

1. 2023 is a specific year in the business cycle of the Global Fund with a clear need to focus Secretariat effort on 2 overarching priorities around maximizing impact on HTM and C19RM funds and health systems strengthening in the current grant cycle (with 70% of the grants from the 2020-2022 allocation period in their third and final year of implementation) and developing high quality grants for the 2023-2025 allocation period aligned to the new Strategy.
2. The Secretariat will also be accelerating the monitoring and oversight to achieve the expected results for the Sixth Replenishment cycle with 70% of grants ending by December 2023.
3. To accommodate the transition successfully, OPEX investments into additional Strategy delivery capabilities are essential in 2023, compensated by targeted scale back on Secretariat capabilities and enablers.
4. The application of budgeting principles ensured a focus on value optimization through efficiencies, strategic resource allocation and resource flexibility. Strategic allocation has been ensured through application of a two-step process with central development of operational strategy pillars followed by detailed resource planning through divisions & department organizational planning process.
5. The 2023 Budget of **US\$ 340 M** reflects the Secretariat proposal to supplement the AFC recommendation, which was based on 'flatlined' OPEX, and enables operational activities to continue while initiating the implementation of key elements of the new Strategy in 2023, within a limited bandwidth.
6. Integrating feedback received from committees and constituencies, adjustment to the 2023 Operating Expenses budget from US\$ 335.4 (AFC recommendation in November 2022 session prior to finalization of sources of funds) to US\$ 340 M will unlock additional US\$ 5 M funding for the following key strategic priorities in 2023, namely:
 - Additional support to CCMs which will further enable the requirements of the new strategy to be reflected in the forthcoming grant making process that will be initiated in 2023.

- Targeted workforce increases to enhance Communities and Gender related capabilities in CRG and Country Teams to deliver on strategic priorities.
 - Partial reduction in level of cutbacks in processes & systems optimization projects to continue innovation, simplification and efficient execution of services.
 - Reinforcing operational communications to enhance publication and advocacy communication.
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7. Considering inputs from AFC during the October & November 2022 committee meetings, and after finalization of the sources of funds when additional pledges were confirmed, the Secretariat recommends a revised 2023 OPEX Budget of **US\$ 340 M** with:

- **PART A** – Secretariat OPEX of **US\$ 272 M** (including US\$ 16.5 M for OIG); and
- **PART B** – In-Country & Independent Bodies of **US\$ 68 M**

For the PART A – Secretariat OPEX of US\$ 272 M:

- The 2023 Budget for Secretariat OPEX represents a 6.1% increase from 2022, and also includes expansion of the PSEAH function.
- **56%** or **US\$ 151.4 M** of the budget is geared towards funding core operational delivery and assurance functions, with focus on reinforcing country teams and technical delivery teams, impacting program implementation.
- Compared to 2022, more resources are invested in 2023 on operational delivery and assurance functions, showing prioritization of resources within a limited budgetary space.

For the PART B – In-Country and Independent Bodies of US\$ 68 M:

- The 2023 Budget for In-Country and Independent Bodies is a 3.6% increase from 2022, lower than inflation levels.
- Minimal increase in funding for CCM evolution in 2023 which is still covered by Strategic Initiative funding which ends in 2023. Thereafter, an increase in funding for CCM evolution will be captured under the OPEX budget.
- Compared to 2022, additional resources will be invested in assurance activities for the new independent evaluation function in light of the evolving risk environment within a more complex funding landscape.

8. Acknowledging gaps still exist in the budget allocation when compared to needs, the proposed 2023 Budget brings focus on:

- Integrated PSEAH, CCM Evolution and Evaluation (IEP) functions with increased resources for PSEAH and IEP.
- Scale-up in workforce tactically prioritized on key strategic areas and workload hotspots within the secretariat including CRG, country teams, NextGen market shaping, RSSH/PPR etc.

- Increase funding for assurance due to the evolving risk landscape.
 - Prioritization of travel & meeting focused on new cycle of grants and assurance activities but remains below pre-pandemic levels.
 - Net reductions in strategy and resource mobilization are limited to the cyclical elements (i.e., strategy development and replenishment conference event) while ensuring funds availability for continuous mobilization of resources.
 - Limited investments in professional fees & support functions for 2023 may not fully compensate the inflationary impact and service level costs required for operational activities.
 - The overall budget flexibility for emerging and priority needs is significantly reduced in a context of increasing workload, burnout, among other factors.
9. The Secretariat will continue to leverage robust financial planning discipline to activate cost efficiencies and optimization approaches to balance resource allocation for operating expenses, catalytic investments and country allocation in a transparent manner.
10. The 2023 Budget was developed in a challenging economic context with the burden of inflationary cost pressure across all cost categories and tensions on available sources of funds for allocation. Global consumer price inflation is expected to reach 7.9 % in 2022 on a year-over-year basis and lies significantly above the 2% rate of prior years.
11. At the same time, labor cost has increased in a tight job market compared to prior years with a gross labor cost growth in the Swiss market of 1.9% year-over-year compared to prior periods. The new economic environment and reality needs to be factored into future OPEX budgets.

B. Key Drivers of the proposed 2023 Work Plan, Budget Narrative and Operating Expenses Budget

12. Organizational priorities have informed resource allocation in 2023 to prioritize funding for key areas assessed as bringing impact to Strategy delivery, albeit that the 2023 budget was derived in a constrained context considering prioritization decisions to prioritize available sources of funds for allocation.

a. Priority 1: Drive impact on HTM & COVID-19 in current grant cycle

Priority 1 focuses on accelerating implementation in the current grant cycle to get back on track to 2030 goals. Key levers to accelerate delivery of grant targets include employment of a data-driven approach to assess gaps & provide targeted implementation support to PRs & CCMs to catch up and leveraging portfolio

optimization and grant revisions where needed to maximize potential for impact of current grants and smooth the transition to the next cycle of grants. Current Strategic Initiatives will also be right sized to maximize results and prepare for the next cycle. Efforts to drive absorption, improve oversight of co-financing commitments, and enable procurement conversion and timely product delivery will continue. The C19RM Monitoring & Oversight framework will enable course correction as needed, while also being adapted to strengthen monitoring and oversight for the three diseases. Strengthening partnership engagement will remain a priority to enable impact on the three diseases and COVID-19 in a more complex landscape, including sustaining the Access to COVID-19 Tools Accelerator.

b. Priority 2: Develop high quality grants aligned to new Strategy

The focus of priority 2 is on supporting countries to develop high quality, implementation ready grants for the 2023-2025 allocation period that deliver impact for HIV, TB and Malaria. This will entail expanded country dialogue to support countries in better prioritizing high quality funding requests, underpinned by efforts to build in-country capacity for generation & use of data to inform optimal program design. TRP and GAC review will continue to be leveraged to ensure design of technically sound, implementation-ready grants. Design and operationalization of catalytic investments that synergize with country allocations will also be a priority in 2023, along with enhanced co-financing in line with thematic/country health financing priorities and support to countries on use of blended finance and payment for results approaches.

Within priority 2, redoubling efforts to end the three diseases will be crucial along with focused support on HIV, TB and Malaria incidence reduction in priority countries. Embedding integrated, people-centered systems for health including pandemic preparedness to deliver HTM outcomes, driving high quality integrated RSSH investments will continue to be a priority. Implementation of the NextGen market shaping approach will be an area of focus, including limited new product introduction in priority areas. Supporting countries to build multi-pathogen pandemic preparedness capabilities within RSSH and HTM programs will be a new area of focus.

Supporting meaningful community engagement and ensuring integration of health equity, gender equality & human rights-related considerations in program design will be priorities for the new grant cycle. Efforts to strengthen and evolve CCMs, including expanded representation of communities and other key stakeholders, will continue, while minimum requirements for community engagement across the grant lifecycle will be rolled out and community-led and based service delivery scaled up. Implementation of the principles of the Ethics & Integrity Framework and applicable Codes of Conduct within grant-funded activities will continue to mature, through expanded efforts on prevention, monitoring & investigation of sexual exploitation & abuse cases as well as provision of victim advocacy & in-country support.

c. Priority 3: Enhance organizational ability to deliver on strategic priorities

Efforts to strengthen program design & implementation in line with the new Strategy will be bolstered by complementary activities to optimize the Secretariat's ability to deliver on the strategic priorities. Driving effectiveness & efficiency of organizational processes, systems and structures will remain a focus. Strengthening data, monitoring & evaluation to reinforce learning & decision-making, including establishment of the new evaluation function to conduct high quality, relevant & timely evaluations with oversight from the new Independent Evaluation Panel and roll out of strategic organizational performance management via the new M&E and KPI Frameworks and improved internal Performance & Accountability Framework will be crucial.

Implementation of an approach to address the impact on climate change and the environment will continue across the Secretariat, sourcing/health product procurement and country-facing dimensions. Continued maturity of the IT operating environment as part of the new IT Strategy will enable efficient operations and mitigate IT security risks in an increasingly complex landscape.

d. Priority 4: Foster a healthy organization & people

Priority 4 will focus on implementing the new People & Organization Strategy with an emphasis in 2023 on effective organizational structure and data-driven workforce planning to support delivery of the new Strategy, including embedding a culture of care & candor, enabling psychological safety. Implementation of the Diversity, Equity & Inclusion initiative and aspirational culture roadmaps will remain a priority in 2023, as will efforts to ensure an engaged and aligned workforce that is physically and mentally well. Adaptation of ways of working, policies and office space will continue in line with the test and learn approach to the new hybrid working model as part of the Future of Work.

e. Priority 5: Sustain resource mobilization momentum

The focus of Priority 5 is on mobilizing increased domestic and donor resources to continue to deliver on our Strategic Objectives. Post replenishment, negotiating & signing donor contribution agreements & securing pledge conversion will be critical for 2023. Additionally, strengthening the Global Fund partnership model through enhanced alignment & coordination and mobilizing the civil society & communities advocacy ecosystem, including for domestic resource mobilization, will remain a priority.

Recommendation

The Board is requested to approve the Decision Point presented on page 2.

Annexes

The following items can be found in Annex:

- Annex 1: 2023 Budget by major cost categories (PART A - Secretariat Operating Expenses)
- Annex 2: 2023 Budget by major cost categories (PART B - In-Country & Independent Bodies)
- Annex 3: Relevant past Board/Committee Decisions
- Annex 4: Links to relevant past documents and reference materials

Annex 1 – 2023 Budget by major cost categories (PART A - Secretariat)

Budget category (US\$ millions)

Total Workforce	LFA & CCM	Professional fees	Office infrastructure	Travel	Meetings
190.5	-	29.6	23.0	13.3	2.1
Communication	Board constituencies	Other	Non-recurring costs	Total	
2.3	1.6	4.8	5.0	272.2	

Total Workforce (incl. consultants) (US\$ millions)

Budget 2022	Budget 2023
176.4	190.5

Professional fees (excl. individual contractor) (US\$ millions)

Budget 2022	Budget 2023
32.0	29.6

Travel expenditures (US\$ millions)

Budget 2022	Budget 2023
10.5	13.3

Annex 2 – 2023 Budget by major cost categories (PART B - In-Country & Independent Bodies)

Budget category (US\$ millions)

Total Workforce	LFA & CCM	Professional fees	Office infrastructure	Travel	Meetings
4.8	56.5	5.6	0.0	0.4	0.3
Communication	Board constituencies	Other	Non-recurring costs	Total	
0.3	-	-	-	67.9	

Total Workforce (incl. consultants) (US\$ millions)

Budget 2022	Budget 2023
3.2	4.8

LFA & CCM (US\$ millions)

Budget 2022	Budget 2023
58.5	56.5

Professional fees (excl. individual contractor) (US\$ millions)

Budget 2022	Budget 2023
3.0	5.6

Travel expenditures (US\$ millions)

Budget 2022	Budget 2023
0.5	0.4

Annex 3 – Relevant past Board/Committee Decisions

Relevant past Decision Point	Summary and Impact
GF/B46/DP07 ¹ : 2022 Work Plan and Budget Narrative and the 2022 Operating Expenses Budget (November 2021)	Based on the recommendation of the Audit and Finance Committee, the Board approved the 2022 Work Plan, Budget Narrative and 2022 OPEX Budget of US\$ 322.2million, which includes (i) US\$ 65.5 million for in country and external assurance activities; and (ii) US\$ 14.9 million for the OIG 2022 operating expenses.
GF/B45/DP02 ² : Operating Expenses for the 2020-2022 Allocation Period (May 2021)	Based on the recommendation of the Audit and Finance Committee, the Board approves the increase of forecasted aggregate operating expenses available for the 2020-2022 allocation period by US\$ 30 million, in order to facilitate the implementation of critical activities in 2022; such that the amount made available for operating expenses for the 2020-2022 allocation cycle shall be US\$ 930 million.

¹ <https://www.theglobalfund.org/kb/board-decisions/b46/b46-dp07/>

² <https://www.theglobalfund.org/kb/board-decisions/b45/b45-dp03/>

Annex 4 – Links to relevant Past Documents & Reference Materials

- GF/B45/02 [OPEX Evolution 2020-2022 Budget Ceiling Revision](#)