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# 2021 Operating Expense Budget

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**44<sup>TH</sup> BOARD MEETING**

11-12 NOVEMBER 2020, *Virtual*

GF/B44/02B

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## Executive Summary and Evolution

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# Executive Summary – 2021 OPEX Budget Framework & Approval

	2021 Rebased Budget			2020 Budget			Variance		
	Secretariat	OIG	Total	Secretariat	OIG	Total	Secretariat	OIG	Total
Staff	150,658	10,538	161,197	148,216	10,596	158,812	1.6%	-0.5%	1.5%
Non Staff	143,167	4,360.02	147,527	137,498	4,643	142,141	4.1%	-6.1%	3.8%
Non Recurring	6,276		6,276	4,047	-	4,047	55.1%		55.1%
<b>Total</b>	<b>300,102</b>	<b>14,898</b>	<b>315,000</b>	<b>289,760</b>	<b>15,240</b>	<b>305,000</b>	<b>3.6%</b>	<b>-2.2%</b>	<b>3.3%</b>

- AFC recommends **2021 Opex Budget** of **US\$315M** for Board approval.
- Proposed 2021 budget is **3.3%** above 2020 budget (\$305m) due to **catch up** on spend **deferred** due to **Covid19** and other specific Covid19-related spending
- **Projected aggregate** spend across **2020-2021** of **US\$613m** is approximately where we would have expected to have been before Covid19 over a 2-year period.
- **Review 3-year US\$900m cap** (“Opex Evolution”) was deferred from July 2020 due to Covid19, **to be reinstated for Q1/2021**, to **enable determination of 2022 budget ceiling**.
- **Key drivers** of the proposed **2021 Budget** proposal include:
  - **C19-related costs** (C19RM, TRP, LFA, etc). While C19 has delivered some savings (e.g. reduced travel, deferred hiring), it has also resulted in significant incremental costs (e.g. TRP, LFA, GHC, IT), many of which will continue into 2021
  - Continued investment in **strategic capabilities** (e.g. health finance, Human Rights, AGYW, Supply & Operations ...); finalization of MLE framework and any associated cost will seek to be incorporated within the forecasting process
  - Continued investment in **reinforcing financial performance** (e.g. absorption, pledge conversion..)
  - Continued investment in **digital transformation** and the IT infrastructure and security...
  - Maintain investments in **organizational maturity**, risk and assurance management, overall business process improvements initiatives to facilitate simplification and nimble approaches

# Example of variability for 2020 Budget Execution: TRP review illustrate changes in cost assumptions during the budget development & Covid

## TRP Changes in Cost evolution during 2020

### BUDGET 2020

Window	Type	TRP members	Window days	Daily fee	Amount
W1	GVA	61	10	700	424
W2	GVA	75	10	700	525
W3	GVA	55	7	700	270
Other (PF, Travel, Meetings)					1,832
<b>Total</b>					<b>3,050</b>

### F1 2020

Window	Type	TRP members	Window days	Daily fee	Amount
W1	remote	118	15	700	1,239
W2a	remote	15	10	700	105
W2b	remote	108	15	700	1,134
W2c	remote	54	10	700	378
W3	remote				0
Other (PF, Travel, Meetings)					1,068
<b>Total</b>					<b>3,924</b>

### F2 2020

Window	Type	TRP members	Window days	Daily fee	Amount
W1	remote	118	24	700	1,530
W2a	remote	13	7	700	58
W2b	remote	114	17.5	700	1,382
W2c	remote	124	17	700	1,606
W3	remote	116	15	700	1,218
Other (PF, Travel, Meetings)					616
<b>Total</b>					<b>6,410</b>

In thousands US\$ at budget rate

In Millions US\$ at budget rate

### 2020 - TRP additional ask by Forecasting exercise

Additional ask in F1	0.87
Additional ask in F2	2.49
<b>Total Additional in 2020</b>	<b>3.36</b>

### 2020 - TRP additional ask in 2020 by Nature

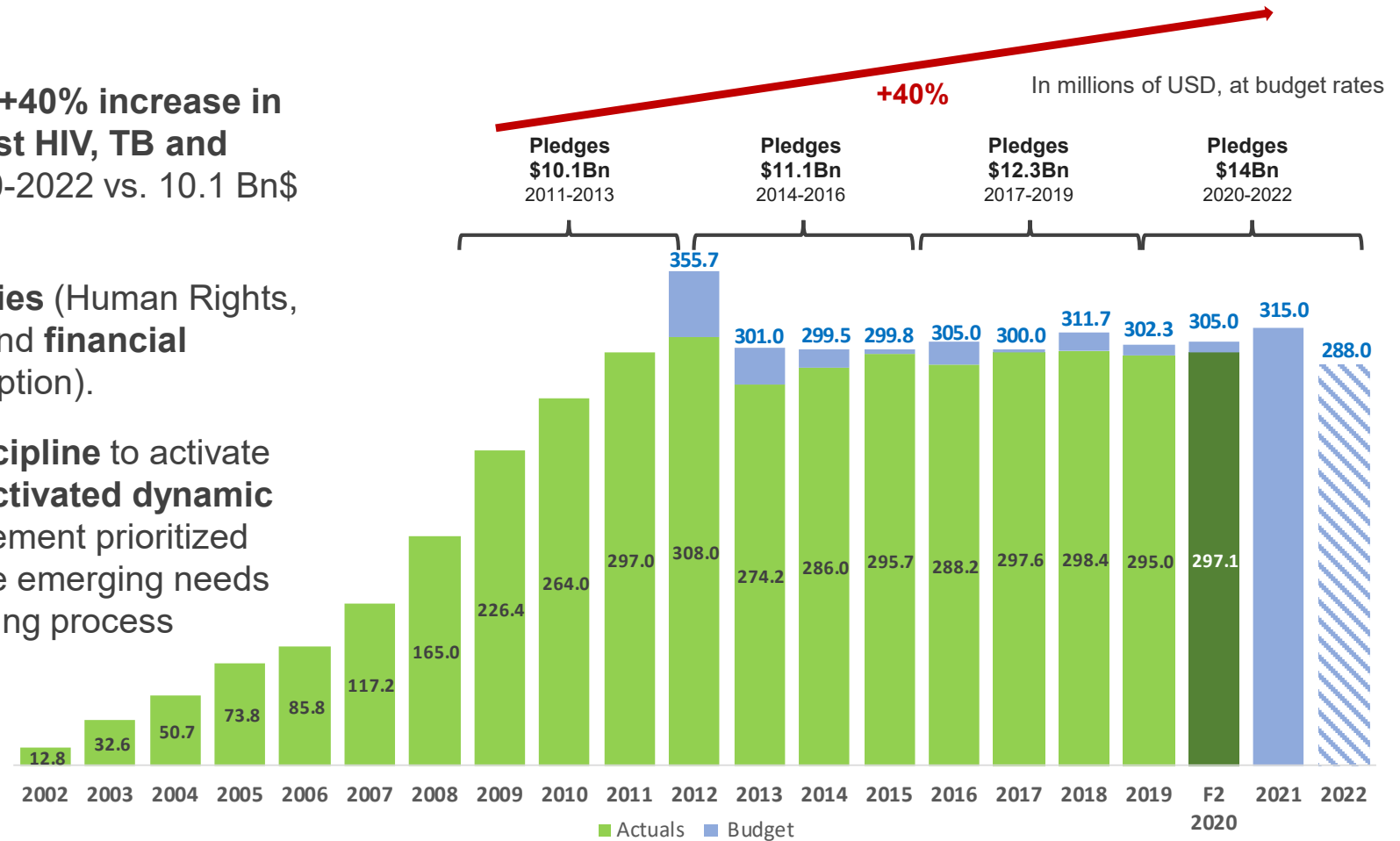
Professional Fees	4.35
Communications	0.24
Savings in Travel and Meetings	- 1.22
<b>Total Additional in 2020</b>	<b>3.36</b>

#### Key Driver Includes:

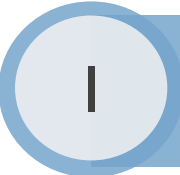
- Increased number of TRP members required to manage virtual meetings (old TRP members complemented to new members);
- Time zone variations implied lost in productivity (on-site TRP sessions 12-16 hours) became 6-8 hour sessions for the same honorarium;
- Biggest replenishment and increased focus and Level of Effort (LoE) on 'big bets';
- In the last cycle, 41% of the applications were 'Program Continuation' with very low LoE compared to 5% for this cycle given the increase in investment and the required programmatic shifts;

# Misalignment of Secretariat OPEX and funds under management creates financial constraint on performance and staff well-being

- Increased commitment from donors with +40% increase in the level of investment for the fight against HIV, TB and Malaria (14 Bn\$ pledged for the period 2020-2022 vs. 10.1 Bn\$ for 2011-2013).
- Continued investment in **strategic capabilities** (Human Rights, RSSH, Prevention, Health Financing etc..) and **financial performance** (pledge conversion and absorption).
- Leveraged a robust **financial planning discipline** to activate **cost-efficiencies** triggers since 2013 and **activated dynamic optimization management** of Opex to implement prioritized interventions and proactively response to the emerging needs (e.g. Covid disruptions) through the forecasting process and oversight.



With a **High historical OPEX Execution Rate of 97-99%** for OPEX, a **revision of the OPEX ceiling is inevitable** for optimal management of the **upcoming grant cycle**, achievement of our **performance ambition** and ensuring **staff-wellbeing**.



**2021 Budget Outcome**

# AFC endorsed OPEX Evolution Principles and secretariat assessment of the funding landscape remains consistent after Covid related adjustments (-/+)

## AFC steer provided in March 2020

- **Enable visibility** on the overall **OPEX cost-base** and **key drivers** linked to the performance ambition
- **Acknowledge to align workforce plans & differentiation** with **revised budget framework** given the staff cost impact (~50%) on OPEX
- **Encourage the integration of value for money** principles in the rebasing and prioritization trade-offs methodology
- **Assess** the related **impact** on the **2020-2022 cap** and propose cap adjustments for AFC consideration
- **Leverage the next strategy cycle** to **reaffirm the rebasing methodology** as the basis to establish a **3-year OPEX ceiling** for strategy implementation

## OPEX Evolution

## Emerging Trends – Post AFC-12

Additional Secretariat considerations due to **COVID-19 disruptions** and **emerging needs to deliver the organization priorities for 2020-2022** – post AFC12:

- **Impact of Covid-19** on on-going **secretariat operations** for **2020** and **budget execution dynamics** over the 2020-2022 period
- **Potential resourcing impact** to enable swift adaptation to effectively mitigate the impact of COVID-19 on HIV, TB and Malaria and C19RM
- **Adjustments of the delivery model** to drive optimal engagement with technical partners TRP, and other in-country stakeholders to ensure quality reviews, monitoring and effective assurance activities
- **Accelerate digital transformation** and **IT security initiatives** to **safeguard** business continuity in a **dynamic** and **fragile context**



# Strategic shift in the budgeting approach, aims at stronger linkage with variability of investment landscape & level of ambition

- **Starting point:** 2020 OPEX recurring Budget: **US\$ 282 M** out of **\$ 305 M (92%)** of total approved OPEX Budget
- **Budget rebasing target**
  - ✓ Maintaining cost discipline on Secretariat recurring core operations → **\$240/250 M per year (80% of costs)** from **\$ 282 M in 2020 Budget**
  - ✓ Increasing level of funding to support roll out of strategic/programmatic objectives → **>\$50/60 M per year (20% of costs)** from **\$ 23 M in 2020 Budget**
  - ✓ **Periodic rebasing of cost structure** to ensure resourcing level & allocation in line with approved strategy
- **Introduction of new budget categories** to further differentiate resourcing within OPEX budget
  - **Core operations:** structural barebone costs and resourcing needed for GF to deliver its mandate (including statutory, host country context, and organizational structure) prior to strategic prioritization and investment trade-off decisions
  - **Cyclical enablers:** investment in strategic capabilities or business enablers to achieve medium (3-year funding period) to long term (6-year strategy cycle) for strategy implementation. Multi-Year transformational initiative will be considered in this budget category moving forward
  - **Priorities:** emerging 'one off' or surge activities related to peaks in business cycle with resource requirements during the annual budget cycle

## Secretariat Core Operations – 6-Year Horizon

- Proportion of budgeted staff deemed as permanent (~90%)
- Core non staff costs (core travel for country facing teams, statutory professional fees, governance....)
- Contracted liabilities beyond budget horizon related to GF infrastructure and systems (IT run, GHC rent + service charges...)

**“Fixed”**

## Cyclical Enablers – 3-Year Horizon

- Contingent workforce: proportion of budgeted staff deemed as temporary/defined duration (~10%) and individual consultants
- Transformation initiatives, IT enablers, other travel / meetings

**“Fixed-Variable”**

## Priorities – 1-Year Horizon

- Resourcing required to deliver 'one off' activities in annual workplan
- Surge resources needed at specific point of the grant life cycle

**“Variable”**

# OPEX Rebasing: Enhances transparency for optimal management and governance oversight

	Staff Cost	Travel	Meeting	Prof Fees	Other	Contractual	2021 Rebased Budget	2020 Rebased Budget		Variance 2021 vs 2020	
								Value	%		
Core operations	134,488	10,206	1,161	9,431	65,699	24,652	<b>245,638</b>	248,756	-	3,118	-1.3%
Revised Cyclical enablers	24,296	3,185	1,181	10,439	1,218		<b>40,319</b>	34,391		5,928	17.2%
Revised Priority	8,072	90	308	19,596	977		<b>29,043</b>	21,853		7,190	32.9%
<b>Total</b>	<b>166,856</b>	<b>13,482</b>	<b>2,650</b>	<b>39,466</b>	<b>67,894</b>	<b>24,652</b>	<b>315,000</b>	<b>305,000</b>		<b>10,000</b>	<b>3.3%</b>

## Core Operations: US\$ 245.64 million

Includes a lean permanent workforce; travel for in-country oversight, resource mobilization and statutory costs required for assurance and security and facility management

### Value-for Money and Efficiency considerations:

- Outsourced services for IT services/maintenance, occupational health, HR and facility management generates optimization and efficiency opportunities
- 15% reduction in Travel and 20% meeting costs (COVID adaptation)
- 5% reduction of non-statutory professional fees through procurement approaches for goods and services

## Cyclical Enablers: US\$ 40.32 million

Tactical investments required per year over the 2020-22 period to:

- **Enhance strategic capabilities** (Disease Advisors, Human Rights, Community strengthening, AGYW, Health Financing and Supply & Operations)
- **Enable successful delivery of cyclical activities** (e.g. replenishment conference, strategy development)
- Support **optimal planning and delivery of multi-year transformational and business process improvement initiatives**

**Assess funding** required every 3-years based on the approved strategy, replenishment outcome, org. priorities, org. maturity and Performance Ambition

## 2021 Priority: US\$ 29.04 million

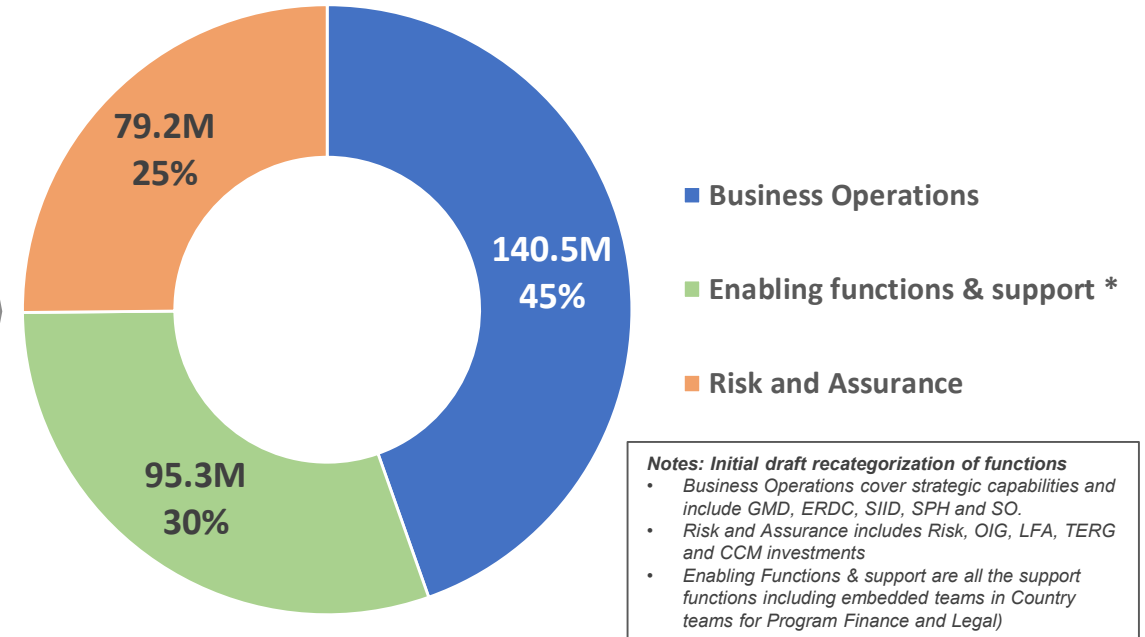
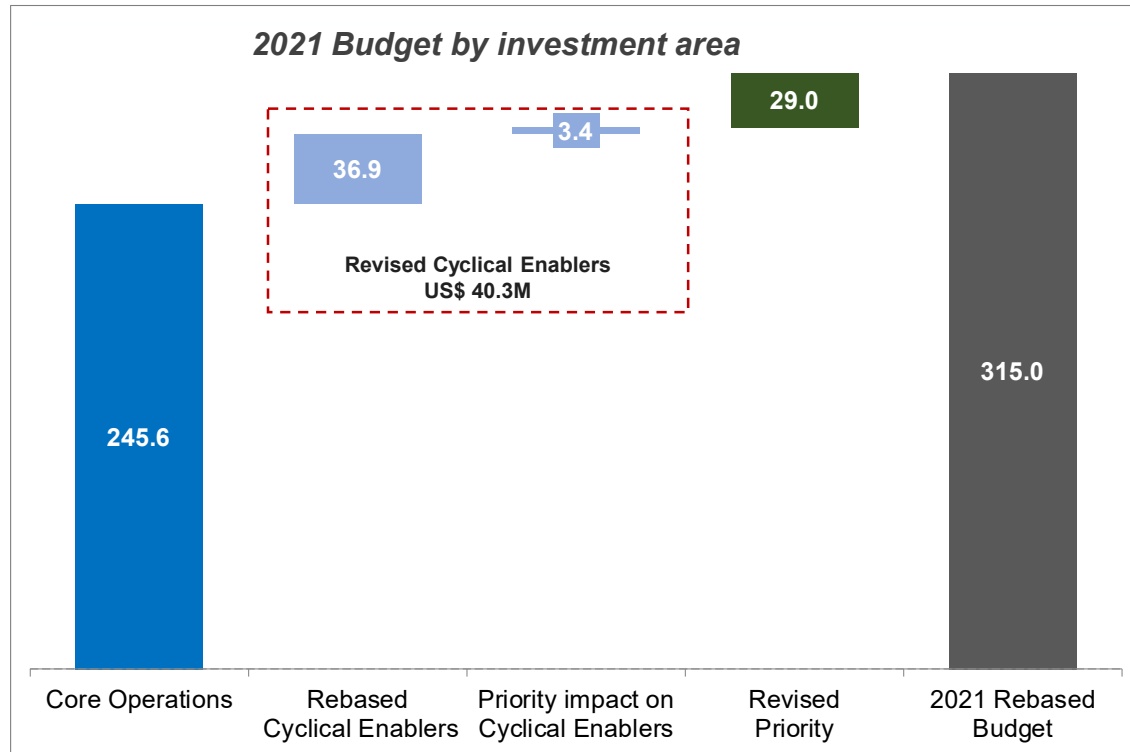
Annual Priority funding required to fund:

- **2020 prioritized activities continuing into 2021:** go/no go decision depending on implementation status, continued relevance in 2021 and value for money & potential impact consideration. Includes adjustments for compliance activities
- **Organizational priorities:** resourcing based on considerations for overall resource requested vs. available, review of priority workforce needs (temp, consultants), expected benefit to the organization, criticality & specificity of activity to 2021, balance across organizational Priorities & teams

Allocate resources in the **OPEX ceiling** to fund **emerging needs** for annual priority investments

The strategic shift to ensure optimal balancing of OPEX required for Core operations and Cyclical Enabler will be a dynamic process of 2021/22 for the next strategy cycle.

# Alignment of OPEX resource allocation with the strategic outlook creates fiscal flexibility and reinforces investment needs in strategic capabilities *(see notes)*



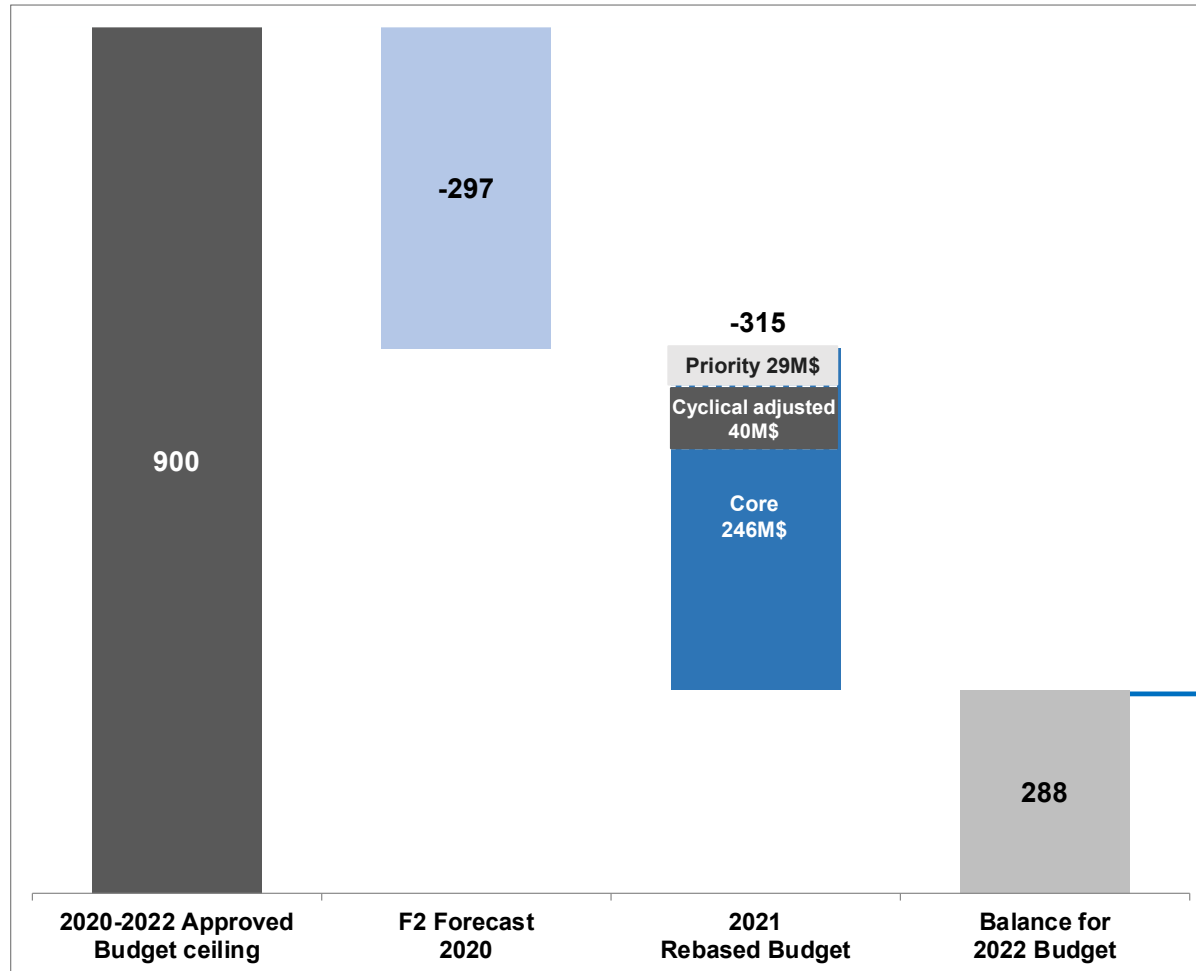
- Over the last 6 years (2014-2019), OPEX investments focused on strengthening secretariat capability to enhance organizational maturity (People, Processes and Systems) with the establishment of a robust Risk and Assurance Management Framework
- The Global Fund operating model demonstrates overall cost-efficiency and value-for-money with an operating cost to funds under management ratio below **7%** for 2017-19 funding period (**0.9/16bn**); **Significant increase in funds under management is envisaged for 2020-2022**
- Continuous investments in strategic capabilities (Human rights, RSSH, Prevention, Supply Operations and Health Financing) remains a critical lever to improve programmatic performance and also enable adaptations required within disease programs due to covid19
- Maintain momentum in organizational maturity current investment levels must be secured to enable optimal balancing of programmatic and financial risk management over the next (3-6years) – Progression, efficiency and improvements remains a **“journey”**

# 2021 OPEX budget of US\$315M, reinforces the shifts in strategic capabilities (i.e. Business Operations), digital transformation and process initiatives (enabling functions) in a restraint budget environment

Reporting by Nature				
	Budget		Variances	
	Full Year 2021	Full Year 2020	2021 vs 2020 Budget	
	kUSD	kUSD	kUSD	%
<b>LFA costs</b>	<b>48,300</b>	<b>48,300</b>	<b>0</b>	<b>0.0%</b>
<b>CCM Costs</b>	<b>9,500</b>	<b>9,500</b>	<b>0</b>	<b>0.0%</b>
<b>Costs Secretariat and OIG</b>	<b>250,924</b>	<b>243,153</b>	<b>7,771</b>	<b>3.2%</b>
Staff	161,197	158,812	2,385	1.5%
Professional fees	43,388	33,028	10,360	31.4%
Travel	13,484	16,866	(3,382)	(20.1%)
Meetings	2,650	3,677	(1,028)	(27.9%)
Communications	1,529	1,306	223	17.1%
Office Infrastructure	21,457	21,528	(71)	(0.3%)
Board Constituency	1,600	1,600	0	0.0%
Depreciation	5,620	6,336	(717)	(11.3%)
External Co-Funding	0	0	0	
<b>Total Opex before non-recurring</b>	<b>308,724</b>	<b>300,953</b>	<b>7,771</b>	<b>2.6%</b>
<b>Non-recurring costs</b>	<b>6,276</b>	<b>4,047</b>	<b>2,229</b>	<b>55.1%</b>
<b>Total operating costs</b>	<b>315,000</b>	<b>305,000</b>	<b>10,000</b>	<b>3.3%</b>

Reporting by Division				
	Budget		Variances	
	Full Year 2021	Full Year 2020	2021 vs 2020 Budget	
	kUSD	kUSD	kUSD	%
<b>General Management</b>	<b>6,346</b>	<b>5,789</b>	<b>557</b>	<b>9.6%</b>
Office of ED/DED	6,346	5,789	557	9.6%
<b>Business Operations</b>	<b>198,374</b>	<b>194,364</b>	<b>4,010</b>	<b>2.1%</b>
External Relations and Comms	18,606	18,020	586	3.3%
<b>Grant Management</b>	<b>129,206</b>	<b>128,508</b>	<b>698</b>	<b>0.5%</b>
LFA	46,300	46,300	0	0.0%
CCM	9,500	9,500	0	0.0%
Opex	73,406	72,708	698	1.0%
<b>Strategy Investment &amp; Impact</b>	<b>34,303</b>	<b>32,523</b>	<b>1,780</b>	<b>5.5%</b>
<b>Supply Operations</b>	<b>16,259</b>	<b>15,312</b>	<b>947</b>	<b>6.2%</b>
<b>Governance &amp; Support Functions</b>	<b>89,105</b>	<b>85,561</b>	<b>3,544</b>	<b>4.1%</b>
Human Resources	8,604	8,142	462	5.7%
Risk Management	4,105	4,314	(209)	(4.8%)
Finance & Administration	31,306	31,275	32	0.1%
Information Technology	32,759	29,218	3,541	12.1%
Legal & Governance	12,331	12,612	(281)	(2.2%)
<b>OIG</b>	<b>14,898</b>	<b>15,240</b>	<b>(341)</b>	<b>(2.2%)</b>
<b>Total Opex before non-recurring</b>	<b>308,724</b>	<b>300,953</b>	<b>7,771</b>	<b>2.6%</b>
<b>Non-recurring costs</b>	<b>6,276</b>	<b>4,047</b>	<b>2,229</b>	<b>55.1%</b>
<b>Total operating costs</b>	<b>315,000</b>	<b>305,000</b>	<b>10,000</b>	<b>3.3%</b>

# Based on the analysis and projected aggregate spend of US\$613 million, a revision of the US\$900 million cap will be required for the 2022 Budget.



- ❑ Proposed 2021 OPEX budget integrates a moderate increase of US\$1.5M to cover additional operating costs required for administration of C19RM proposed extension to March 2021
- ❑ **Projected aggregate OPEX is US\$613 million** to ensure successful launching of the next funding period and catch-up of Covid-disruptions delays
- ❑ **Projected remaining funds of US\$288 million will restrict secretariat's ability** to remain "nimble" and address the continuous investments required in strategic capabilities, financial performance (absorption & pledge conversion); digital transformation and process improvements in 2022.
- ❑ Any unanticipated Covid-19 disruptions or C19RM expansion could change the funding landscape and the reforecasting process will be leveraged to update secretariat projections

**Pre-read: Budget Process and Framework**

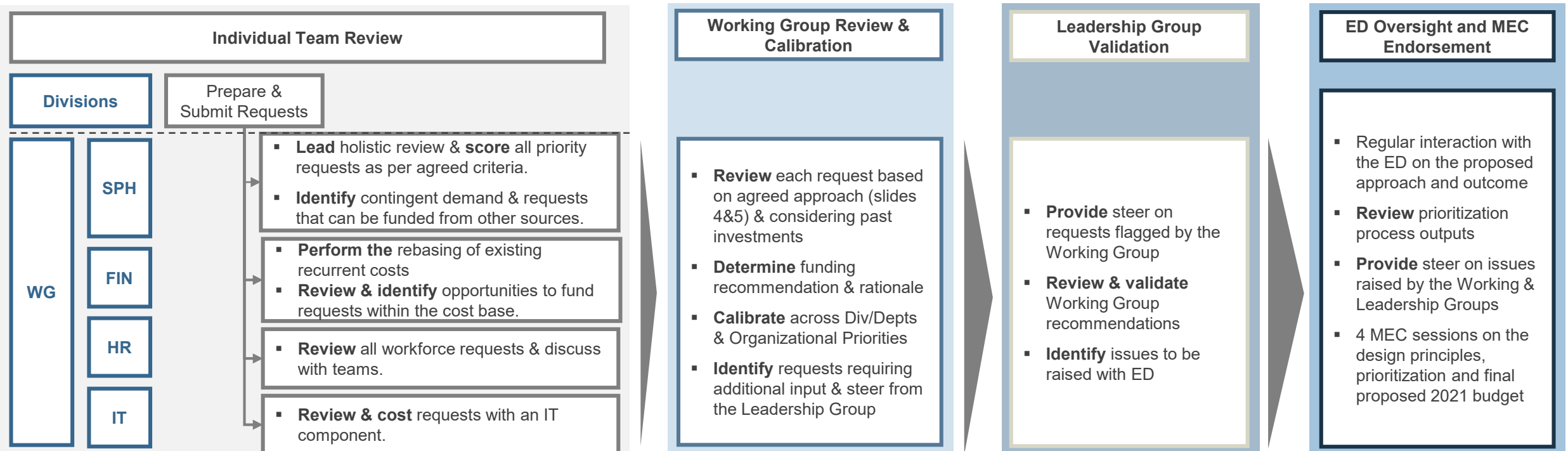


# Enhanced 2021 Budgeting Process improved the overall quality of the proposed budget and facilitated stakeholder management and buy-in

Process focused on establishing differentiation, prioritization trade-off and transparency of the cost-drivers

- **Problem statement:** Operational tensions in the implementation of the strategic priorities, step-up required in key strategic capabilities and the Opex budget cap of US\$900 million.
- Illustrated the need to improve and provide visibility of the OPEX cost-base including the key drivers and levers for efficiency.
- Process led to transparent differentiation of 1. the "Fixed" (Core) structural drivers from 2. the "Fixed Variable" (Cyclical Enablers) investments required to enable strategic implementation and transformational change initiatives over a strategy cycle 3-6-year Horizon; 3. the emerging needs and adaptation adjustments are covered on "one-off" annual priority investments (reviewed annually).

Holistic approach to budgeting bringing together Finance, HR, Strategy & Policy Hub and IT



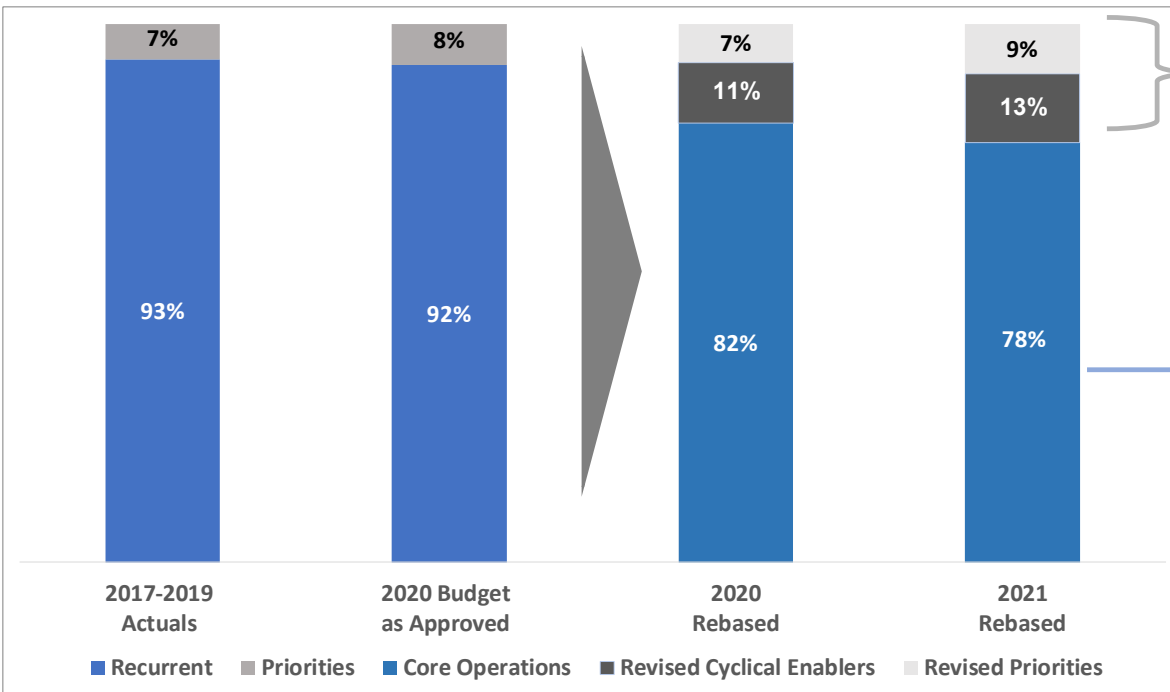
# Changes in Budget Framework enabled increased flexibility and enhanced cost effectiveness within the Global Fund Operating & Partnership Model

Differentiated approach between core operations, cyclical enablers and priority funding leading to a more flexible and balanced budget structure in line with OPEX Evolution targets:

- 78% of core operations 'structural costs'
- 22% of cyclical/priority 'variable enablers'

- Provide management and governance flexibility to align OPEX investments to critical investment over the 3 year cycle or annual basis.
- This enhances fiscal agility and facilitates prioritization trade off in resources allocation.
- Increase funding visibility for teams beyond budget horizon with cyclical enablers to optimize operational planning and delivery

- Reflect costing of structural decision for the different function of the secretariat.
- Limited flexibility to address inflation, efficiencies or structural changes in the operating model.







## Pre-read: Case for Change

# 2013-2020: Flexibility in OPEX management has enabled investment in key areas has enabled significant progress and overall organizational maturity









## Outcome and impact on Organizational Maturity

### Process Transformation (Systems & infrastructure)




- Investment in GHC project to enable increased collaboration and synergies among partners
- PPM/wambo.org: extensive roll out of e-procurement solution
- AIM: consolidation of all grant management related processes and data in one integrated system
- HR Transformation: consolidation and upgrade of HR Systems into a single, latest generation cloud solution
- Finance transformation-Step Up: financial planning and reengineering of financial processes and systems

- Positive trajectory in terms of organizational maturity: positive OIG opinion in 2018 and 2019 with opportunities for further improvements
- Improved quality of grant management leading to high level of absorption projections in 2017-2019 allocation cycle
- Significant improvement in the risk management framework and overall risk culture
- Steady progress in HR transformation and delivery of HR People strategy
- Benefits of AIM being realized and enhancing efficiency during funding request, TRP reviews and grant-making
- GHC move and synergies with subtenants fully reinvested on capabilities / enablers
- Significant transformation of financial processes and systems completed with increased capabilities (reporting, planning, analytics, controls)

### Structural Investments

- Supply chain 
- Wambo.org 
- Treasury 
- Ethics 
- CRG 
- Risk & Assurance 
- Grant management 
- Program Finance 

#### Legend

-  New function
-  Significant change
-  Moderate change

**Limited opportunity for further optimization with 94% of non-discretionary cost as per 2020 Budget**

# OPEX Evolution: case for change remains relevant with 4 key principles to enhance foresight and unlock GF capabilities for accelerated progress in key priority areas

## New OPEX Budgeting principles

### Cyclicity of Strategy Implementation

- Transition and **align the OPEX Budget approval with the 3-year funding cycle** to enable stronger linkage with allocation / strategy cycle
- Annual process to enhance prioritization of workplan activities and overall optimization of resources
- Robust quarterly and annual oversight by the AFC under the mainstreamed financial planning and forecasting processes

### Ambitious Objectives to maximize impact

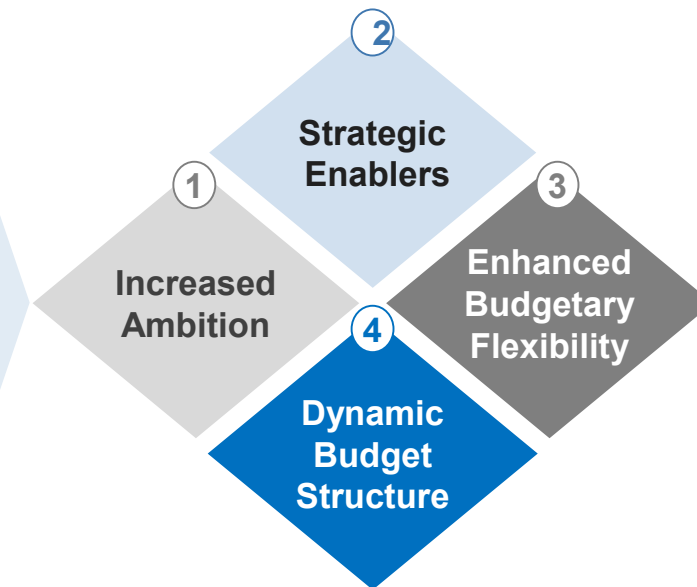
- Level and mix of resourcing contingent on level of ambition and request for strategic shift in programmatic priorities:
  - **Significant increase** in the level of funds under management (+23% in country allocation, x 2 in strategic initiatives envelope)
  - **Maximize alignment** of the resources with **programmatic ambition** increased focused on prevention, RSSH and Human rights
  - **Recalibration** of targeted **in-country absorption** (85% versus current corporate KPI of 75%)

### Risk and Assurance Trade-Off

- Trade-off on **oversight and assurance choices** : Fit for purpose risk & assurance mechanism in line with evolution of Secretariat operations risk profile and governance risk appetite

### Shifts in impact model and innovation

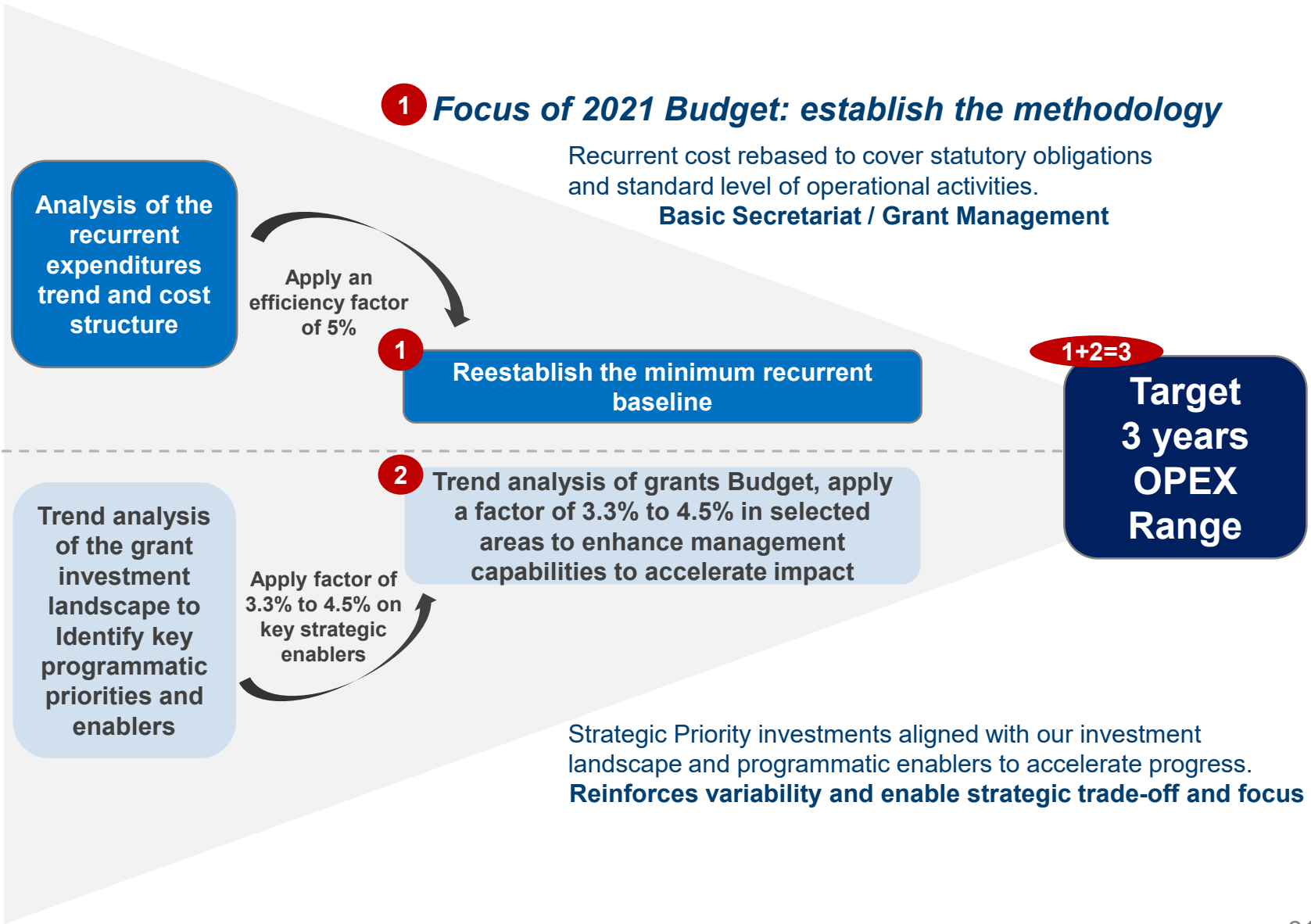
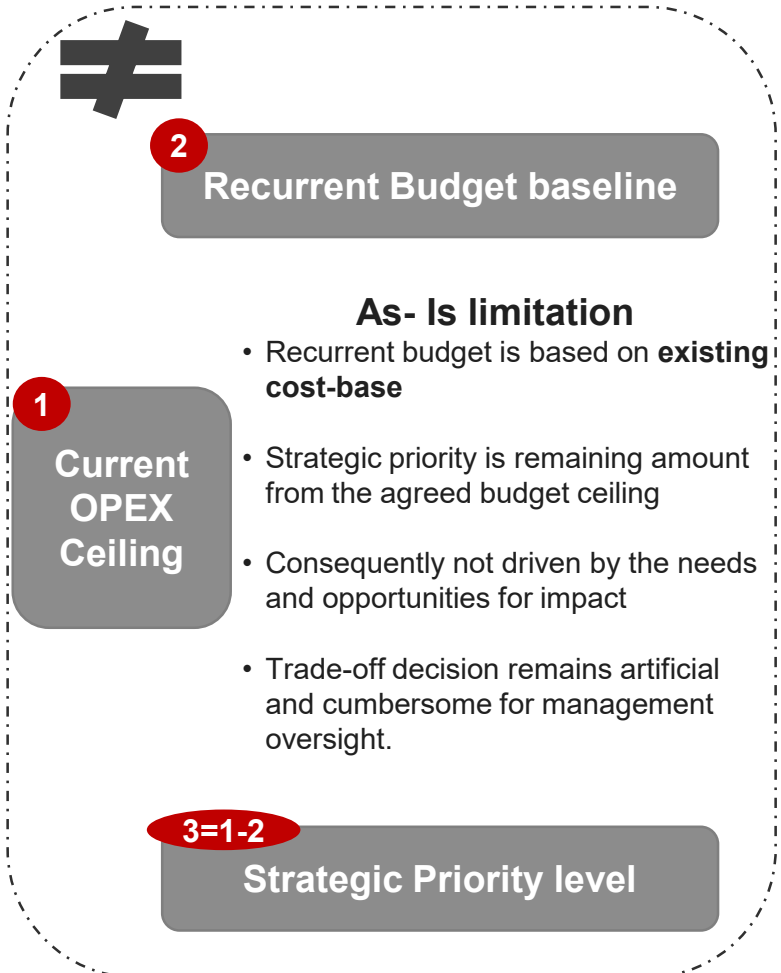
- Acknowledgement that while Secretariat core operations are stable over time, overall Secretariat level of effort (LoE) and resourcing is also driven by in country business cycles and progress in implementation (WCA enhancements and deep-dives)
- Strategic shift in investment approach to leverage Domestic Resource Mobilization, Market Shaping/drug access, joint investment platforms and innovations)



# OPEX Evolution impact of the principles on the rebasing cost methodology

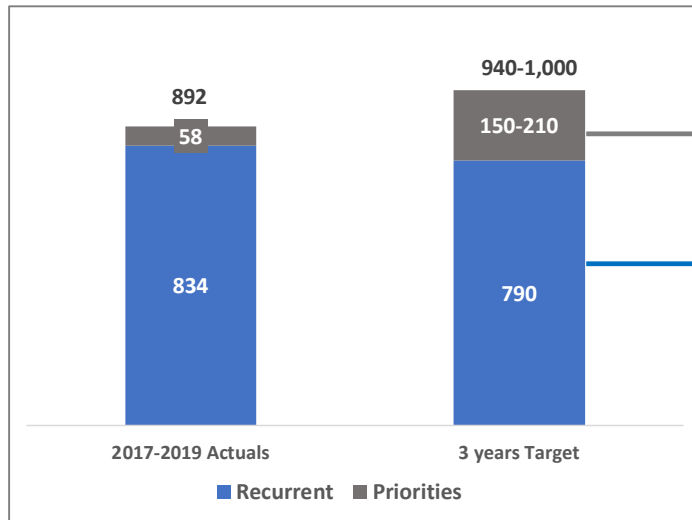
	Impact on OPEX Budgeting framework	Indicative changes	Impact
Cyclicality of Strategy Implementation	<ul style="list-style-type: none"> <li>3 year Budget / workplan in sync with allocation periods and mid strategy cycles</li> <li>Full rebasing of OPEX cost base (recurring + priorities) to be performed at the start of each allocation cycle informed by new strategy</li> </ul>	<ul style="list-style-type: none"> <li>Target 3 year OPEX Budget vs. annual budget currently</li> </ul>	<ul style="list-style-type: none"> <li>➤ 80% Recurrent</li> <li>➤ 20% Priorities</li> </ul>
Ambitious Objectives to maximize impact	<ul style="list-style-type: none"> <li>Maximize alignment of resourcing with ambition by ensuring recurring cost base only reflects Secretariat 'core operations' embedding efficiency/productivity gains while enabling significant reallocation on key enablers and temporary boosts</li> <li>Strategic Workforce Planning to be used to ascertain level of (re)investment in existing / new teams</li> </ul>	<ul style="list-style-type: none"> <li>Funding for priorities in line with in country investment (3.3% to 4.5%)</li> </ul>	<ul style="list-style-type: none"> <li>➤ 10% Recurrent</li> <li>➤ 90% Priorities</li> </ul>
Risk and Assurance Trade-Off	<ul style="list-style-type: none"> <li>Internal (1<sup>st</sup> line and 2<sup>nd</sup> line) and external assurance (LFA, CCM , OIG) set up and related costs to be reviewed in line with updated Secretariat operations risk profile and governance risk appetite</li> <li>Impact of systems investment, processes improvement and organizational maturity</li> </ul>	<ul style="list-style-type: none"> <li>5% Efficiency factor to be applied to recurring cost on 2020-2022 period</li> <li>Differentiated level of efficiency applied to Secretariat teams</li> </ul>	<ul style="list-style-type: none"> <li>➤ 90% Recurrent</li> <li>➤ 10% Priorities</li> </ul>
Shifts in impact model and innovation	<ul style="list-style-type: none"> <li>While directionally recurring costs can be flatlined or streamlined, resourcing for programmatic priorities might significantly vary depending on external factors (grant life cycle, unforeseen events impacting grant portfolio)</li> <li>Leverage innovation to accelerate differentiated impact</li> </ul>	<ul style="list-style-type: none"> <li>Flexibility around 3 year Budget envelope (range) to reflect cyclicality and pace of strategy delivery</li> </ul>	<ul style="list-style-type: none"> <li>➤ 100% Priorities</li> </ul>

# The OPEX evolution methodology is based on a dynamic re-costing of the Secretariat needs and prioritizes differentiation, targeted ambitions, and resource mobilization



# OPEX Evolution enhances Secretariat's management agility to make trade-off decision on the OPEX budget required in a three-year funding cycle

- Stronger linkage with variability of the investment landscape and our ambition to accelerate progress towards impact

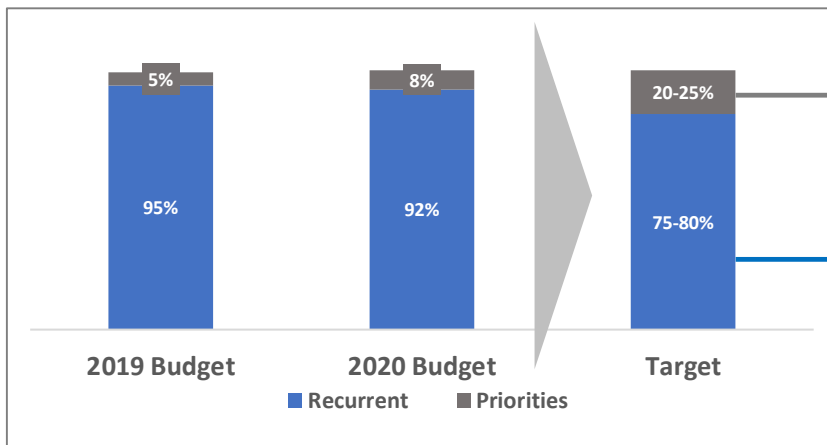


3.3% to 4.5% of grants investment on programmatic priorities to ensure delivery of impact (Key Populations, DRM, RSSH and prevention)

Taking into account on going budget discipline and organizational process improvements and system investments and efficiency factor of 5 % on the recurring base was applied

- Transform the **recurrent baseline** to cover the standard operating costs required for basic grant management and oversight for the three-year funding cycle e.g. **790M\$**
- Refocus** the **strategic priority** investment to the key programmatic enablers required to accelerate progress and impact: a modelled % based on the variability of the investment landscape for strategic priority investment (**150M\$-210M\$**) depending on our strategic ambition
- This dynamic and flexible approach translates into an overhead rate of approximately **6%-7% of funds under management**

- The above model is **consistent with a differentiated adjustment** between recurring cost base and priority funding



As per proposed approach, gradual streamlining of recurring cost base to 75-80%

Allow adjustment x % based on progress and the required strategic enablers in a given year to maximize impact

Allow 1.5% to 2.5% inflationary adjustment to address

- Unit cost/ price evolution (staff and non-staff)
- Additional request from governance on mandate expansion

**Pre-read: Priority Budget Request**

**IV**

# 2021 priorities reflect the new implementation context

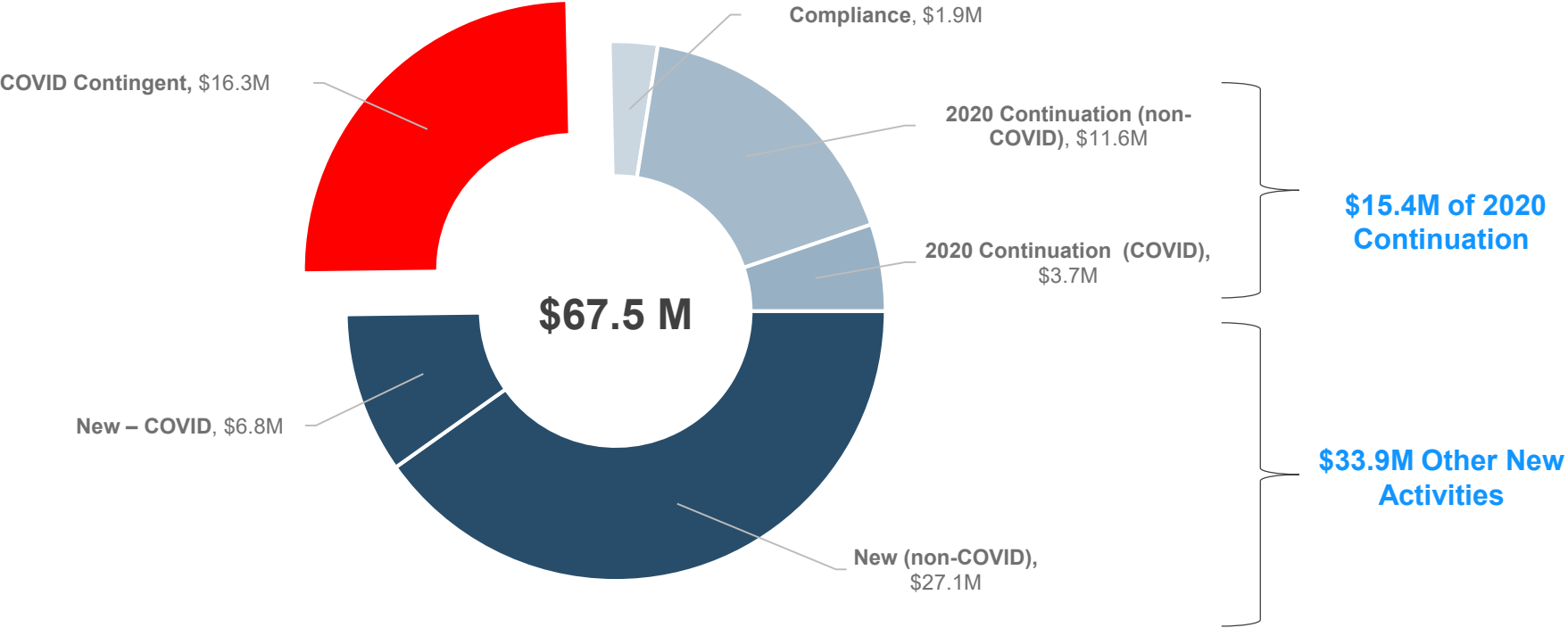
## Organizational Priority

## Examples of Areas of Focus

1	Proactively mitigate the impact of COVID-19	CRM19; ACT-A; supply operations for diagnostics, treatment & PPE, meaningful engagement of communities; resource mobilization & pledge conversion
2	Launch the next cycle of grants & accelerate support to national programs in the COVID-19 context	Malaria campaigns & case mgmt.; TB missing cases; HIV prevention incl. AGYW; human rights-related barriers; in-country supply chain strengthening; community based-/led-implementation; systems strengthening & measurement of RSSH investments; private sector implementation arrangements
3	Drive efficiency & effectiveness	Grant life-cycle launches incl. new grant rating methodology; data accessibility & management; data analytics, visualization & use; OPEX evolution; organizational configuration; integrating lessons learned from COVID; updating risk mgmt. practices; performance & accountability; process optimization
4	Invest in people & build strategic capabilities	Organizational culture; diversity & inclusion; workforce planning incl. position mgmt.; employee value proposition; learning & leadership development
5	Finalize the next Strategy & prepare for its implementation	Evidence basis for decision-making; Strategy consultations; Global Fund role in health systems, global health security & enviro sustainability; KPI Framework; M&E Framework; eligibility & allocation; supply chain & quality assurance
6	Build Global Fund brand & prepare for the 7 <sup>th</sup> replenishment	Global Fund branding strategy; 20 <sup>th</sup> Global Fund Anniversary Campaign; Investment Case; Replenishment strategy & campaign; civil society advocacy ecosystem

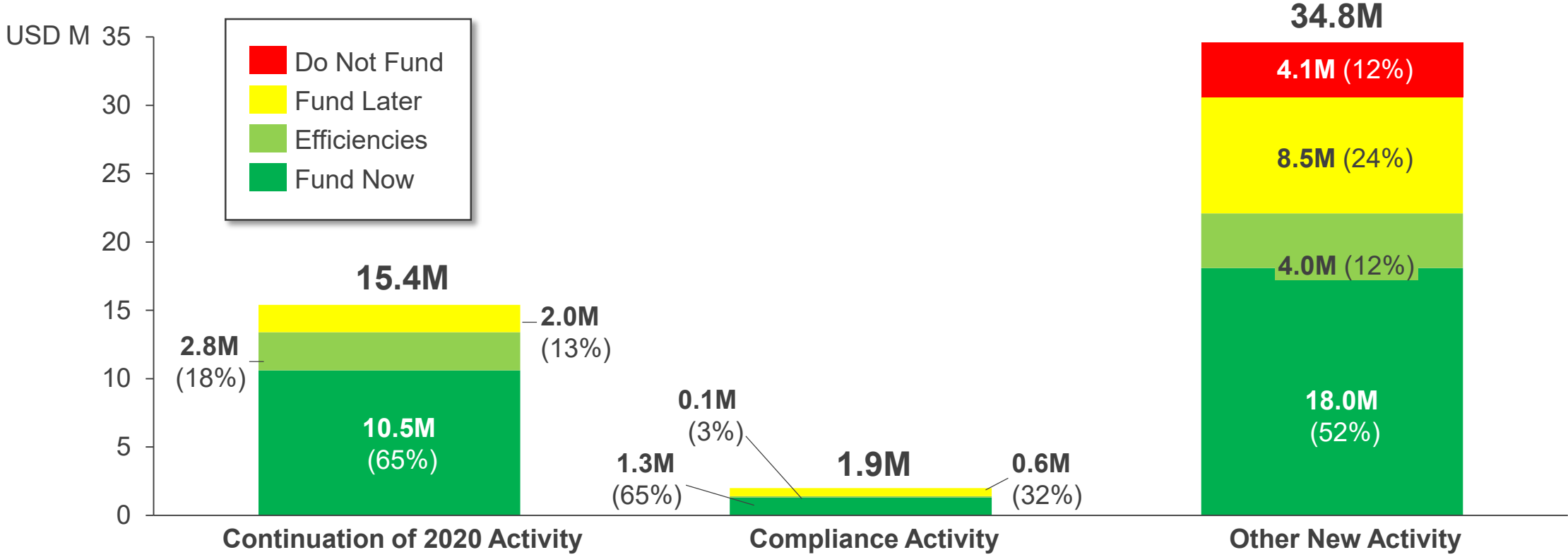


# Resources requested were about twice the amount expected to be available



\*After initial submission of requests, and additional \$0.7M of requests were added and approved for a total in scope amount of \$52M

# Initial allocations reflect prioritization of 2020 continuation & compliance activities\*



**% requests allocated initial funding (Fund Now)**

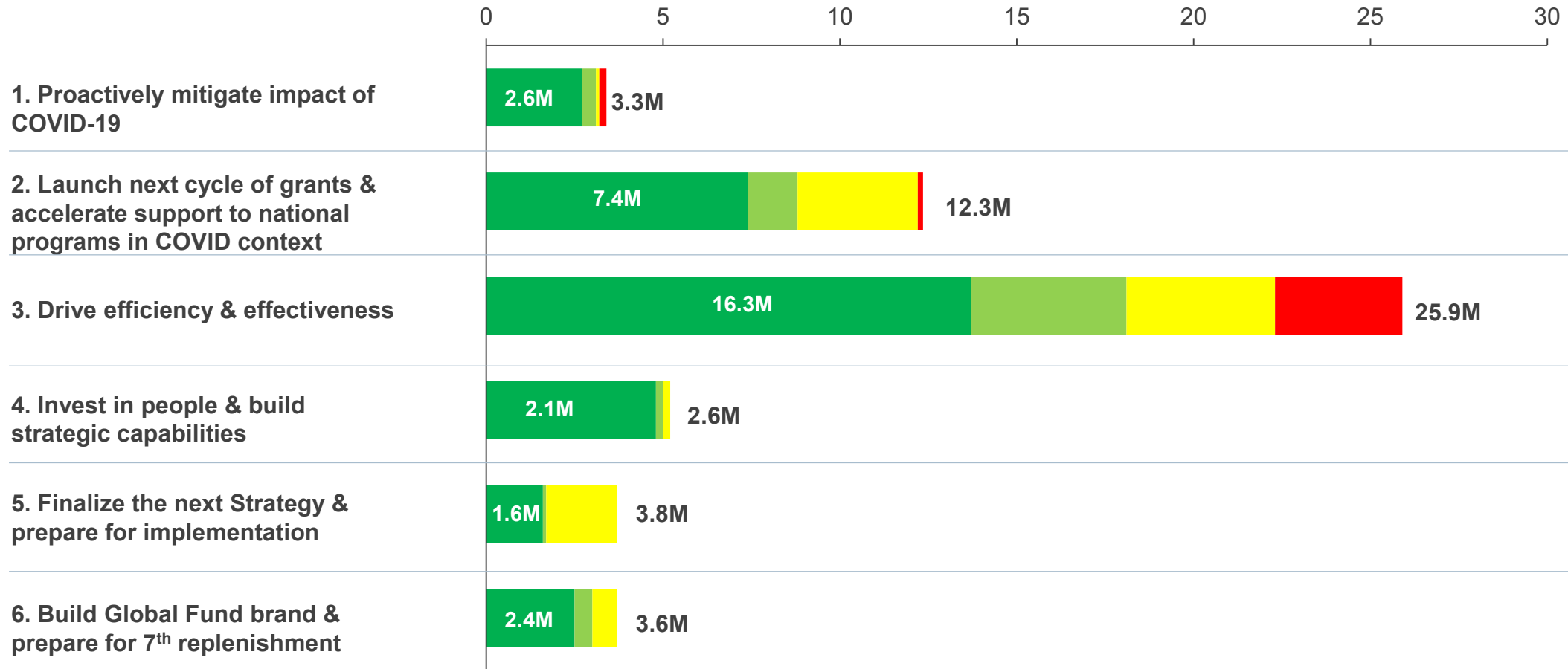
**69%**

**65%**

**54%**

\*Includes requests considered for priority funding and additional approved items; excludes COVID contingent and other funding sources

# Initial allocations foster greater funding balance across priorities\*



\*Includes requests considered for priority funding; excludes COVID contingent and other funding source. Total amount shown excludes an additional \$0.6M not assigned to a priority and all either fund later or do not fund