

Report of the Finance and Audit Committee

Matters for Decision

1. 2008 Budget

1. Transition from Administrative Services Arrangement

Office of the Inspector General (OIG):

3. Policy for Disclosure of OIG Reports
4. Global Fund Assurance Framework

2008 Budget for Operating Expenses of The Global Fund



Factors influencing budgetary needs

- GF is entering a new growth phase for scale-up through 2010 in line with Board strategy, increased demand and expanded donor support
- Implementing other significant strategic decisions (e.g. RCC, Dual Track Financing & Grant Consolidation)
- Expanded scope of LFA activities & changes following re-tendering
- Restructuring of Secretariat following the Organizational & Management Review



Budgetary process

- Budgetary framework will be developed following the Organizational & Management Review, to guide the size of future budgets
- 2008 budget is based on detailed workplans for each of 34 teams – detailing activities, number of staff, costs and deliverables
- Proposed budget has been finalized through an iterative process with the FAC
- FAC reached consensus to recommend budget of US\$177 million

Budget Summary: US\$177m, 451 staff

US\$ millions	2006	2007	2008	Increase	% Increase on 2007 Budget
	Actual	Budget	Budget		
Secretariat	50.9	97.8	126.7	28.8	29%
Office of the Inspector General	1.1	3.1	3.1		-1%
	52.0	101.0	129.8	28.8	29%
In-country Oversight	23.9	32.5	49.8	17.3	53%
Total Operating Expenses	75.9	133.5	179.6	46.1	35%
less: Efficiency Target	0.0	(3.0)	(3.0)		0%
Net of Efficiency Target	75.9	130.5	176.6	46.1	35%

Increase over prior year: 72% 35%

Staff Numbers

in Positions	251	341	451	110	32%
in Full-Time Equivalent		312	426	114	37%

Increase over prior year (positions): 36% 32%

Budget increase from 2007 to 2008

- 46% is for Staff costs: 110 additional positions – for correction of workload underestimates, expected growth in 2008, structural changes to Secretariat
- 38% is for In-country oversight: For increased grant volumes, expanded work scope and training, and one-time costs associated with the LFA re-tendering
- 16% is for other expenses

Budgetary Implications of all 16BM Decisions

Source	GF/B16/	Decision Point	\$'000	Staff Positions	Remarks
FAC	DP 20	Budget 2008	176,610	451	
FAC	DP 21	Transition from ASA	18,355	7	One-time cost, upper limit
PC	DP 15	Funding of CCMs	6,047	-	
PSC	DP 7	RCC interim bridge funding measure	125	-	Temporary measure
PSC	DP 9	Roll-out of Grant Consolidation	1,196	5	Upper limit
PSC	DP 10	Strategic approach to HSS	235	-	
PSC	DP 11	Business plan for hosting AMFm	675	2	One-time cost
PSC	DP 12	Guidelines on Constituency Processes	96	-	One time-cost, mainly
	DP 26	Scaling-up Gender-Sensitive response	557	3	
Total			203,896	468	

Of which:

Ongoing	184,645	459
One-time / temporary	19,251	9

US\$204m, 459 staff + 9 for one-time tasks

Transition from the Administrative Services Arrangement

Prior Board Decisions

November 2006, 14th Board:

- Prepare to discontinue the ASA
- Present the transition plan, including costs and timelines
- Safeguard the interests of staff

April 2007, 15th Board:

- Proceed with negotiating and costing the remaining administrative arrangements
- Pursue the most beneficial arrangement for providing pension services to the staff
- Present the final, fully costed implementation plan to 16th Board Meeting

FAC Review of Status

The FAC:

- Emphasised the need to be respectful of dissenting voices and mindful of stress amongst staff regarding the prior Board decisions
- Stressed that termination of the ASA would not mean termination of the relationship and partnership with WHO and the UN system
- Concluded that it is prudent to allow up to the end of 2008 to implement the new arrangements

Next steps as agreed by FAC

- Ask WHO to extend ASA through 2008
- New administrative and employment arrangements to be determined in accordance with defined principles, processes and timelines
- Pension fund to be constituted as a cash balance scheme that shall provide safeguards for the interests of the staff
- Global Fund, through the WHO, should seek to negotiate a transfer agreement with the UNJSPF (pension fund)



Implementation Plan

Full transition from ASA will be completed by **December 31, 2008**, following 2 timelines for the implementation of the transition:

- **Timeline 1: Pension, Employment & Administrative Arrangements** – including development of policies and procedures (e.g. for staff pay and conditions, pension, travel and other administrative matters)
- **Timeline 2: Design and Implementation of Information Systems** (suited to the policies and procedures adopted)

Set-up & Recurring Costs

Set-up costs (in 2008)	
Pension transfer gap (to be contributed by Global Fund)	Up to US\$ 12 million
Other set-up costs: <ul style="list-style-type: none"> ➤ Development of IT system (ERP) ➤ Establishing HR policies, including compensation & benefits package ➤ Establishing the pension plan and employee insurance scheme ➤ Developing contracting, travel and administrative policies and procedures ➤ Establishing general insurances ➤ Set-up of tax equalization procedures 	US\$ 6.4 million
Set-up Cost Total	Up to US\$ 18.4 million
Recurring costs (from 2009)	
Annual recurring costs, in excess of projected ASA fee Comprising: costs for tax equalization and administrative services, less the ASA fees under the <i>status quo</i>	US\$ 2.2 million in 2008 declining to US\$ 0.2 in 2012

Matters Requiring Board Decision: Pension Fund

Pension Fund:

A pre-requisite to transferring funds out of the UNJSPF is the establishment of a GF pension fund (that meets the criteria of the UNJSPF Board).

There are **two primary considerations**:

1) Type of plan

- A cash balance plan is proposed: a defined contribution plan with a guaranteed minimum yield
- This type of plan protects the interests of staff because it distributes the investment risk among both the employer and employee

2) Financing Vehicle:

- An autonomous pension foundation is proposed with own management board (e.g. “The GF Pension Foundation”)
- This allows flexibility in design of plan to protect the interests of staff

Matters relating to the Office of the Inspector General



Policy for Disclosure of OIG Reports

As requested by 15th Board Meeting:

- Sub-group of FAC completed development of the policy – reached consensus
- FAC consulted with PSC, input incorporated
- Finalised policy is recommended to Board for approval

Global Fund Assurance Framework

- Assurance Framework was further developed by Deloitte (engaged by Interim IG)
- Reviewed by the FAC with input from the PSC
- Framework to be completed following further development by incoming IG
- To be presented to 17th Board Meeting

Also

- Risk Management Framework to be developed by the Secretariat in collaboration with the IG (by March 2008 if possible)

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