



Investing in our future

The Global Fund

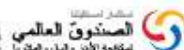
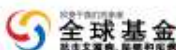
To Fight AIDS, Tuberculosis and Malaria

Report of the Finance and Audit Committee ¹



Eighteenth Board Meeting

New Delhi, India 7-8 November 2008



Report of the FAC

Overview of topics

For decision:

- Mid-term Review of the Voluntary Replenishment
- Product and Service Donations
- Budget 2009

For information:

- Administrative transition
- Resource mobilization
- OIG matters
- Optimizing investment returns



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Report of the FAC

Mid-term Review of Voluntary Replenishment

- As foreseen by donors at Berlin meeting
- To occur prior to Nineteenth Board Meeting
- Encouraging scale-up of demand; timely to consider the most effective use of funds
- In current climate, existing donors cannot be assumed to further increase pledges



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Mid-term Review of Voluntary Replenishment

Decision Point 2: Mid-Term Review of the Second Voluntary Replenishment of the Global Fund

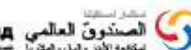
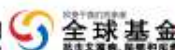
The Board adopts the recommendation for a Mid-term Review of the Second Voluntary Replenishment of the Global Fund.

The Board decides that the Mid-term Review of the Second Voluntary Replenishment shall take place in advance of the Nineteenth Board meeting scheduled for May 2009.

The budgetary implications of this decision are US\$200,000 (already provided in 2009 budget).



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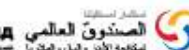
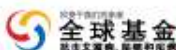
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Mid-term Review of Voluntary Replenishment

Decision Point



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Report of the FAC

Product and Service Donations 1/2

- 1 The Joint Steering Group on Product and Service Contributions, drawn from members of FAC and PSC and chaired by the Vice-Chair of FAC, has conducted research and analysis as well as extensive consultations supported by a working group of international experts. Its recommendations are outlined in GF/FAC11/20.
- 2 JSG recommended that the Secretariat should develop a policy for the acceptance of donations of services and seek adequate information for the development of a policy regarding non-health products.



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Report of the FAC

Product and Service Donations 2/2

- 3 Without making any a priori judgments of donation programs as positive or negative, the Joint Steering Group concluded that under current conditions the Global Fund should not accept in-kind donations of health products. However, this policy may be open for re-consideration after two years' experience of the Voluntary Pooled Procurement mechanism, and changes in other factors such as recipients' views, and market impact conditions.
- 4 Whilst the US government expressed its appreciation for the progress made on this issue, it nevertheless wished to record its dissenting view that in-kind donations, including medical products would be an important mechanism to increase the cost-effectiveness of Global Fund grants.



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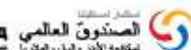
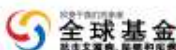
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Product and Service Donations

Decision Point



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Report of the FAC – 2009 Budget

Key factors influencing budgetary needs

- Scale-up of demand, plus dual-track financing
- Implementation of key initiatives
 - NSA, grant consolidation, grant architecture, EFR
- Completion of administrative transition
- Growing partnership role, in-country & global
- Resource mobilization
- Expanding evaluation activities that analyze aid impact and effectiveness



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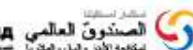
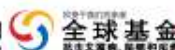
Report of the FAC – 2009 Budget

Budget size

- Influenced by volume of grant approvals
- Dependent on decisions for Rounds 8 & 9
- Pending decisions, budget assumes 146 new grants to be negotiated and signed in 2009
- Based on initial estimates of 2009 grant activity, FAC recommended budget: \$240m; 570 staff
- Budget will be revised to take account of actual grants approval decisions of 18th BM



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Report of the FAC – 2009 Budget

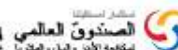
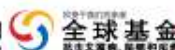
Related to volume of grant commitments

Volume of Grant Commitments			Budget		
Rounds 8&9 \$ billion	Renewals \$ billion	Total \$ billion		Budget \$ millions	Number of Staff
3.9	2.1	6.0	Version 1	257.7	638
2.5	2.1	4.6	Version 2	244.9	600
		Assumed non-recruitment:		-4.7	-30
			Version 2a	240.2	570
Difference between Version 2a and Version 1:				17.5	

Version 2a provides for 146 new grants in 2009, including dual-track



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Report of the FAC – 2009 Budget

Key ratios

If budget is \$240 m plus 10% contingency, and 570 staff

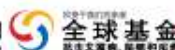
- 26% increase in \$; 21% increase in staff
- Operating expenses are **5.5%** of Total Expenditure (guideline is <6%)
- New grant commitments per employee are **\$8.4m** (guideline is <\$8.8m)



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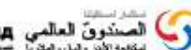
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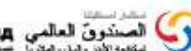
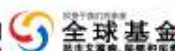
Report of the FAC – 2009 Budget

Linking budget to KPIs

- Need to have KPIs established earlier, prior to budget process
- FAC to explore process with PSC – ideally jointly set KPIs and review performance



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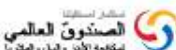
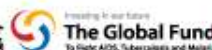
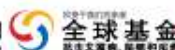
Composition of budget increase

Increase of \$30m over 2008 (excl. contingency)

- 82% for staff costs
- 31% for LFA services
- 27% for travel
- 16% on other
- -56% reduction on professional services



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Report of the FAC – 2009 Budget

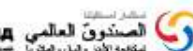
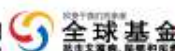
Other Board decisions (within Contingency)

Budgetary Implications in 2009 of Board Decisions (other than approval of the annual budget)

Source	Decision Point	Number of Staff	Included in the proposed budget US\$'000	To be covered by the budget contingency US\$'000
Pending Board approval by email	Human Resource Policy Framework			6,800
AMFm Ad-Hoc Committee	AMFm Phase 1	9		6,600
PSC DP 5	Global Fund Architecture	8		876
PSC DP 6	National Strategy Applications	8	257	1,782
PC	Quality Assurance Policy for Pharmaceutical Products ("QA Policy")	2		1,245
FAC DP 2	Replenishment Mid-term Review		200	
FAC DP 3	Product and Service Donations			200
	Total:	27	457	17,503



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Report of the FAC – 2009 Budget

Next steps

- Once grant numbers to be signed in 2009 have been determined, the Secretariat will present adjusted budget to the FAC.
- The Secretariat will further seek economies (such as in travel)
- Proposed that the Board authorizes the FAC to approve the revised budget within an upper limit of US\$ 540 million and 570 staff



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Report of the FAC 2009 Budget

Decision Point



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Report of the FAC

Administrative Transition

- Human Resources policies approved by the Board in October
- Other administrative policies approved by FAC
- Individual offers of employment made to Secretariat staff
- Provident Fund being established
- IT system – now being tested, no customization initially
- Will transition fully on 1 January 2009 (no ‘interim period’)



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Report of the FAC

OIG Matters

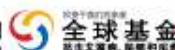
- FAC reviewed the progress report of the Inspector General
 - IG will present to the Board this afternoon



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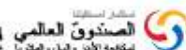
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Report of the FAC

Optimizing investment returns

FAC working group's interim recommendations:

- 1) Primary investment objective should be capital preservation, and the secondary objective should be to maximize returns.
- 2) The Global Fund's tolerance for risk and volatility of returns should not change from its current level (probability of cumulative negative returns over three years of approximately 1%).
- 3) The investment horizon should not exceed three years.
- 4) The Global Fund should continue to make agreements conditional on availability of funds (rather than setting up contingency reserves or requesting additional funds to cover potential investment losses).



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