



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

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GF/B20/6
Attachment 1

2010 BUDGET - FURTHER DETAILS

Contents

Part 1: Cluster Summaries

Part 2: In-Country Oversight

Part 3: Allocation of 2010 budget by Activity

Part 4: Changes from 2009 to 2010

Part 5: Ratios

Part 6: Linking of budget to Key Performance Indicators

Part 7: Three-Year Outlook

Part 8: Investment in grant management systems

PART 1: CLUSTER SUMMARIES

1.1 The following pages outline the strategic role of each Cluster (the functional departments of the Secretariat), summarize its budget and explain the reasons for significant budgetary increases.

| US\$ millions <i>By Function</i> | 2008 | 2009 | 2010 | Increase on 2009 | % Increase |
|-------------------------------------|--------|--------|--------------|---------------------|------------|
| | Actual | Budget | Budget | | |
| Secretariat Expenses | | | | | |
| Country Programs | 22.0 | 41.3 | 42.4 | 1.1 | 3% |
| Strategy, Policy & Evaluation | 26.4 | 45.3 | 45.2 | (0.1) | 0% |
| External Relations and Partnerships | 18.6 | 26.8 | 28.1 | 1.3 | 5% |
| Office of the Executive Director | 3.0 | 3.5 | 3.3 | (0.2) | -6% |
| Corporate Services | 45.1 | 52.7 | 62.7 | 10.0 | 19% |
| Finance | 5.8 | 8.7 | 9.3 | 0.6 | 7% |
| Office of the Chair of the Board | 0.8 | 0.7 | 0.7 | 0.0 | 1% |
| Transition credits | 12.0 | 3.0 | 0.0 | (3.0) | |
| Secretariat | 133.7 | 181.8 | 191.6 | 9.8 | 5% |
| Office of the Inspector General | 2.0 | 6.7 | 10.2 | 3.6 | 54% |
| Funding of CCMs | 1.4 | 6.0 | 7.0 | 1.0 | 17% |
| In-country Oversight (LFA fees) | 27.1 | 58.0 | 68.0 | 10.0 | 17% |
| Total, before contingency | 164.2 | 252.5 | 276.8 | 24.3 | 10% |
| Efficiency Target | | | (2.8) | (2.8) | |
| Total Operating Expenses | 164.2 | 252.5 | 274.0 | 21.5 | 9% |

Country Programs

Strategic Role

1.2 The Country Programs cluster has primary responsibility for overseeing all aspects of grant management and serves as the primary interface between the Global Fund and grant recipients. The Cluster is comprised of eight regional teams whose work is supported by cross-cutting functional teams managing the Local Fund Agents, Country Coordinating Mechanisms and Grant Renewals (Phase 2 and RCC).

1.3 Country Programs is also involved in development and implementation of special initiatives such as UNITAID, the Green Light Committee initiative, Voluntary Pooled Procurement, Affordable Medicines Facility for Malaria and building strategic technical alliance with agencies like Roll back Malaria. Beyond the individual grant level, the Cluster implements and execute changes to the Board policies and reporting requirements.

Activity in 2010 will be increased by:

1. Implementing recommendations of the Grant Architecture project, National Strategic Applications (NSA) and supporting treatment continuity and PMTCT.
2. Management of the 154 additional grants approved in Round 8 and signed during 2009.
3. Implementing increased grant volume resulting from Round 9, NSA and AMFm application in 2010.
4. Implementation of any special measures associated with the approval of Round 9 and the recommendation of the Board Working Group on Tension between Demand and Supply.
5. With the increasing size of the OIG, respond and implement the recommendations of the audits and investigations conducted by the OIG.
6. Focus on optimizing performance and value-for-money from LFA services.

Resource Needs for 2010: Increase of 3%

| Country Programs | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|-------------------------|---------------------|-------------------|-------------------|--------------------|----------------------|------------------------------|--------------|
| Budget 2009 | 180 | 162 | 41.3 | 28.7 | 1.5 | 10.7 | 0.3 |
| Budget 2010 | 180 | 180 | 42.4 | 30.9 | 1.3 | 9.7 | 0.5 |
| Increase | 0 | 18 | 1.1 | 2.1 | -0.2 | -1.0 | 0.2 |
| Increase % | 0% | 11% | 3% | 7% | -13% | -10% | 63% |

- Despite the increase in anticipated workload, no additional positions are being requested for 2010.
- The 3% overall increase in costs reflects the whole-year cost of positions filled in 2009, minus savings made in other areas, mainly travel.
- The 63% increase in the Other category of expenditure is mainly due to addition of communication costs for translation and publication resulting from decentralization of communication costs from External Relations Cluster.

Strategy, Policy & Evaluation

Strategic Role

1.4 The SPE Cluster drives the Global Fund in the areas of Fund Strategy and Policy, Country Proposals, Health Advisory, Performance and Impact, Aid Effectiveness, Monitoring and Evaluation, and Pharmaceutical Procurement and Quality Assurance Management.

Activity in 2010 will be increased by:

- 1- Support development and implementation of the Grant Architecture project.
- 2- Support the newly constituted Market Dynamics Committee.
- 3- Independent evaluation of the AMFm.
- 4- Contribution to the Health Systems Strengthening.
- 5- Develop systems and tools for tracking performance of Key and Management Performance Indicators.

Resource Needs for 2010: No increase

| Strategy, Policy & Evaluation | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|--|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 148 | 126 | 45.3 | 22.8 | 14.3 | 6.7 | 1.6 |
| Budget 2010 | 148 | 148 | 45.2 | 27.0 | 10.2 | 6.7 | 1.3 |
| Increase | -0 | 21 | -0.1 | 4.2 | -4.1 | 0.0 | -0.3 |
| Increase % | 0% | 17% | 0% | 19% | -29% | 1% | -16% |

- No additional positions are being sought for 2010. Savings made in other areas fully offset the increase in staff costs including the whole-year cost of positions filled during 2009.

External Relations & Partnerships

Strategic Role

1.5 The role of the Cluster is to secure financial resources to meet the demand from Global Fund implementing partners, facilitate governance and support amongst stakeholders, develop and implement partnerships and ensure effective global communication on the Global Fund and the results achieved by its partners. To optimize the achievement of that role the Cluster will implement in 2010 new strategies for communications and partnerships and implement its resource mobilization strategy, notably through the organization of the third Global Fund Replenishment with the aim to secure financing for Global Fund supported programs for the years 2011-2013. All these strategies would need to be well integrated.

Activity in 2010 will be increased by:

- Organize the Third Replenishment cycle, including enhanced advocacy efforts and the organization of two to three donor meetings.
- Prepare for the next Partnership Forum to take place in early 2011
- Developing new Innovative Finance mechanisms, in particular the launch of Investment Fund for Health.
- Support optimization of demand-supply in the current global economic downturn.
- Development and implementation of enhanced communication capacities in line with the recommendations of the Communication Task Force.

Resource Needs for 2010 : Increase of 5%

| External Relations & Partnerships | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|--|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 88 | 85 | 26.8 | 14.3 | 4.1 | 6.9 | 1.5 |
| Budget 2010 | 88 | 88 | 28.1 | 15.8 | 4.8 | 6.8 | 0.6 |
| Increase | 0 | 3 | 1.3 | 1.5 | 0.7 | 0.0 | -0.9 |
| Increase % | 0% | 4% | 5% | 11% | 18% | -1% | -59% |

- The 5% overall increase in costs includes the whole-year cost of positions filled in 2009.
- No additional positions are being requested. Increase in staffing costs is mainly due to the whole-year cost in 2010 of additional positions approved for 2009 which were filled for only part of the year.
- Increase in professional fees is to support the enhanced PR and media relations related to communication campaign for the Replenishment; Content Management System; support preparation for the Partnership Forum, including support for the Partnership Forum Steering Committee; organizing the e-forum and setting up a team of facilitators. No budgetary provision has been included for the Replenishment Communication Campaign around the Global Ambassador which is planned to be supported through potential donor sponsorships.
- Increase in professional fees would be partly off-set by an external co-funding grant of US\$ 500'000 to be received from the Melinda and Bill Gates Foundation. The grant is intended to fund a feasibility study that would determine the scope and potential of additional innovative financing mechanisms.

- These costs have been partly offset by savings made in travel, meetings and communications.

Office of the Executive Director:

Strategic Role

1.6 The role of the Office of the Executive Director (OED) is mainly focused on the following main areas:

- Providing overall leadership and strategic vision and direction
- Managing the Secretariat
- Building new partnerships as well as strengthening existing relationships with national, regional and international partners;
- Representing the Global Fund in meetings and events with external partners (donors, implementers, technical and scientific partners, etc);
- Mobilizing financial support to the Global Fund through advocacy activities;
- Providing oversight of policy development

Resource Needs for 2010: 6% decrease

| Office of the Executive Director | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|---|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 15.0 | 14.5 | 3.5 | 2.3 | 0.4 | 0.7 | 0.0 |
| Budget 2010 | 15.5 | 15.5 | 3.3 | 2.7 | 0.1 | 0.4 | 0.0 |
| Increase | 0.5 | 1.0 | (0.2) | 0.4 | -0.3 | -0.3 | 0.0 |
| Increase % | 3% | 7% | -6% | 16% | -70% | -38% | |

- The additional staff costs provide for one half-time position being replaced by a full-time position. Savings in other areas contribute to an overall budgetary decrease of 6%

Corporate Services:

Strategic Role

1.7 The Corporate Services Cluster houses the teams that enable the Secretariat to function: human resources, information systems services, administration, contracting, internal communication and legal. Key functions of the Cluster are:

- Administration: Providing office facilities and services, relocation and orientation services, travel services and travel security to the entire Secretariat and OIG.
- Human Resources: Implementing HR policies and procedures for the staff of the Secretariat; managing recruitment and training, payroll administration and performance management.
- Legal: Provides legal advice to the Secretariat, the Board of the Global Fund and its Committees, as well as the OIG, TERG and TRP. The advice rendered primarily relates to grant negotiation and management, policy, governance, resource mobilization, partnerships, administrative matters and dispute resolution.
- Information Systems: Providing information systems and infrastructure services to support the grant process from proposals through performance-based funding, information management and telecommunications.
- Corporate Procurement: Enabling the acquisition of services and supplies for the functioning of the Secretariat and in-country oversight, in compliance with Global Fund policies.
- Internal Communications: Ensure timely and transparent communication on internal policies and procedures across the Secretariat.

Activity in 2010 will be increased by:

- Launching of advanced IT Enablement Initiative and radical upgrade of the information systems to support implementation of grant architecture and efficient administrative processes. The systems re-design will enhance the effectiveness of grant management and yield operational efficiencies.
- Develop Enterprise Content Management & Document Management Systems
- Deploy a Business Intelligent platform
- Support Change Management and post-ASA stabilization including new internship, Young Graduate Program, Health Campus project, Government representation on seeking privileges and immunities

A detailed business case on the proposed IT Enablement Initiative has been presented in Attachment 1, Part 8.

Resource Needs for 2010: Increase of 19%

| Corporate Services | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|---------------------------|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 113 | 103 | 52.7 | 16.7 | 17.8 | 1.9 | 16.3 |
| Budget 2010 | 113 | 113 | 62.7 | 19.7 | 22.6 | 2.0 | 18.4 |
| Increase | 0 | 10 | 10.0 | 3.0 | 4.8 | 0.1 | 2.1 |
| Increase % | 0% | 10% | 19% | 18% | 27% | 3% | 13% |

- No additional positions are being requested. Increase in staffing costs is mainly due to the whole-year cost in 2010 of additional positions approved for 2009 which were filled for only part of the year.
- Increase in professional fees includes design, development and implementation of Advanced IT Enablement Initiative including Business Intelligence, Oracle GFS enhancement and upgrade, Enterprise Content Management, Document Management and holistic architecture and solution design. Non-IT initiatives include enhancement of performance management systems and Ombudsman and staff counselor.
- Minor increase in travel and meetings to support the additional scope of work mainly for internship and Government Representation on seeking privileges and immunities.
- The increase in costs for office facilities and telecommunication (under "Other") mainly reflects the full-time activity in 2010 of staff hired during 2009.

Finance

Strategic Role

1.8 The Finance Cluster accounts for and reports on the financial transactions of the Global Fund, supports the financial aspects of grant-making, and provides financial forecasts and analysis to support Board decision making and to inform donors and other stakeholders of the financial resource needs of the Global Fund.

Key functions of the Cluster are:

- Maintaining the financial records of the Global Fund, compiling its financial statements and facilitating their external audit in compliance with best practices
- Providing guidance on financial aspects of grants and reviewing disbursements to provide final clearance prior to payment by the Trustee
- Processing grant and other transactions in close collaboration all Units throughout the Secretariat
- Supporting the Board and its Committees with regard to financial matters, including acting as focal point to the Finance and Audit Committee
- Providing financial analysis and information for Replenishment and as otherwise required by donors, including projections and forecasts of needs and resources.
- Compiling grant and contribution financial information for daily website publication
- Participating in internal committees and panels that prepare policies for Board and Committee consideration and carry out governance roles delegated by the Board
- Provide functional support to major IT, Purchasing and HR projects to enhance internal controls.

Activity in 2010 will be increased by:

1. Greater volumes of grant transactions.
2. Financial forecasts and projections to support the Replenishment mechanism.
3. Implementation of any special measures associated with approval of Round 9.
4. Transition to the new grant architecture
5. Financial reporting and audit implications relating to the Provident Fund.

Resource Needs for 2010: Increase of 7%

| Finance | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|-----------------|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 34 | 29 | 8.7 | 4.9 | 2.9 | 0.9 | 0.0 |
| Budget 2010 | 34 | 34 | 9.3 | 5.7 | 3.0 | 0.6 | 0.0 |
| Increase | 0 | 5 | 0.6 | 0.8 | 0.1 | -0.3 | 0.0 |
| Increase % | 0% | 18% | 7% | 16% | 5% | -33% | |

- The increase relates almost entirely the whole-year cost of additional positions in 2009, plus a small increase in audit fees (relating to the Provident Fund), minus a reduction in the budget for travel costs.

Support the Chair and Vice Chair of the Board

Resource Needs for 2010: No material change

| Office of the Chair of the Board | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|---|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 1 | 1 | 0.67 | 0.2 | 0.25 | 0.2 | 0.05 |
| Budget 2010 | 1 | 1 | 0.68 | 0.2 | 0.28 | 0.2 | 0.03 |
| Increase | 0 | 0 | 0.01 | 0.0 | 0.03 | 0.0 | 0.0 |
| Increase % | 0% | 0% | 1% | 0% | 10% | 1% | -40% |

1.9 The budget provides support to the Chair and Vice Chair of the Board. The foregoing maintains the 2009 budget envelope at the disposal of the incoming Chair and Vice Chair.

Office of the Inspector General

Resource Needs for 2010: Increase of 54%

| Office of the Inspector General | No. of Staff | No. of FTE | Budget \$m | Staff Costs | Profess. Fees | Travel & Meetings | Other |
|--|---------------------|-------------------|-------------------|-------------|---------------|-------------------|-------|
| Budget 2009 | 19 | 17 | 6.7 | 3.3 | 1.6 | 1.4 | 0.3 |
| Budget 2010 | 23 | 23 | 10.2 | 4.3 | 5.0 | 0.7 | 0.3 |
| Increase | 4 | 6 | 3.6 | 1.0 | 3.3 | -0.7 | 0.0 |
| Increase % | 21% | 33% | 54% | 30% | 206% | -49% | -15% |

- The position of Deputy Inspector General has been closed and 4 new positions have been requested to strengthen the core investigative capacity. This would enable the OIG to handle the increase in referrals to the OIG and the increasing complexity of cases.
- Internal core audit capacity is being maintained. To support the increasing regional audits, provision for regional consultancy has been increased. This would be more cost-effective and also yield the advantage of local country context.
- The incremental costs are partly offset by travel and meetings savings.

PART 2: IN-COUNTRY OVERSIGHT

In-country Oversight (LFA fees)

2.1 The budgetary need for LFA services foreseen for 2010 is \$68 million, which is \$10 million more than the \$58 million budgeted for 2009. This 17% increase in budget results mainly from the increased volume of grant activity and increasing complexity of grant implementation and oversight. The budget for the various services is summarized below:

| LFA service type | Activity Driver | 2008 Actual | | 2009 Budget | | 2010 Budget | |
|---|-----------------------|-------------|---------------|-------------|----------------|-------------|----------------|
| | | # | \$ million | # | \$ million | # | \$ million |
| Assessments of Principal Recipients | # new grants | 86 | 4.1 | 146 | 13.4 | 157 | 8.2 |
| Verification of Grant Implementation | # active grants | 495 | 27.9 | 518 | 29.7 | 613 | 45.8 |
| Phase 2 Renewal Reviews | # Phase 2 reviews | 60 | 1.5 | 128 | 3.5 | 97 | 3.8 |
| Grant Consolidation Reviews | # grants consolidated | 5 | 0.2 | 35 | 1.2 | 43 | 0.4 |
| Grant Closure Reviews | # grants closed | - | - | 35 | 0.9 | 97 | 1.6 |
| Special services (various) | | - | - | - | 3.0 | - | 2.6 |
| Independent Data Quality Audits | # grants | 8 | 0.8 | 20 | 1.4 | 20 | 1.4 |
| PR Surveys and verification of year-end programmatic results | # grants | - | - | 518 | 2.1 | 613 | 1.6 |
| LFA review of CCM funding requests | # countries | 121 | 0.5 | 121 | 0.5 | 136 | 0.6 |
| LFA costs on introduction of new requirements, training and LFA handovers | | - | 0.3 | - | 2.4 | - | 1.9 |
| Total | | | 35.2 | | 58.0 | | 68.0 |
| Average cost per Active Grant | | | \$71 k | | \$112 k | | \$111 k |

2.2 The pricing model for the 2010 LFA budget is based on the forecasted 2009 costs for LFA services. The prices are based on the cost proposals submitted by LFAs to the competitive LFA re-tender that was completed in August 2008. The LFA tender set higher minimum requirements for LFA in-country teams which have resulted in changes to both the daily rates for LFA experts and the unit cost of LFA services. The scope of services has substantially increased in the areas of finance, health/programmatic, pharmaceutical procurement and monitoring & evaluation. This was in response to the principles set by the Board for the LFA re-tender and is also reflected in the new LFA contracts. The pricing model for the 2009 budget was estimated from historical LFA costs from before the new LFA contracts. The change in the contracting and price structure for LFA services as a result of the tender explains some of the annual variations in budget lines presented in the table above. Overall, average LFA costs per grant are similar to the 2009 budget.

2.3 The 17% increase in the 2010 LFA budget over the 2009 budget is mainly resulting from the following factors:

- (a) The number of active grants (613) estimated for 2010 is 18% higher than the 518 active grants that were provided for in the 2009 budget. This is mainly due to the 154 new grants approved under Round 8 proposals including the addition of new Principal Recipients as a result of dual-track financing applications. Most LFA services are grant specific and the number of grants and PRs are key drivers of LFA costs.

- (b) The expanding scope and additional complexity of some LFA services is reflected in higher unit costs. For example, an expanded LFA section of the Progress Update and Disbursement Request will be rolled-out in early 2010 to ensure a more comprehensive level of LFA verification of the PR's financial position and programmatic progress. In addition, the LFA Phase II review is being updated also scheduled for rollout in 2010, to increase verification of pharmaceutical procurement systems amongst other improvements. Much of the changes to the scope of these LFA services are in direct response to recommendations from the Office of the Inspector General (OIG) to strengthen the risk management. In 2010, LFAs will also be required to undertake more in-depth budget review analysis on Round 9 and Phase 2 grants to assist the Secretariat to identify efficiency cost savings.
- (c) The level of effort required under certain services will be higher than in the previous years. There is an increased focus on LFA on-site data verification (OSDV) to ensure the quality of information reported by PRs to the Secretariat. For 2010, the Secretariat aims to implement at least one OSDV per grant. With more grants coming to an end of their normal lifecycle, LFAs will verify 97 grant closures in 2010 compared with 35 in 2009. The number of LFA reviews of CCM funding proposals is forecasted to increase in 2010. There is also an increase in ad-hoc LFA verification of implementation services (including monthly progress reports from LFAs and risk mitigation work). This reflects the tailoring of LFA service requirements to fit the unique local risk environment and grant implementation context in each country.
- (d) There are two new services for 2010: the LFA assessment of PR capacities and systems for approved National Strategy Applications (NSA) and AMFm applications.

2.4 The Secretariat requires quality and timely services from LFAs at reasonable prices. The Secretariat is re-negotiating rates and unit service costs with LFAs. The 2010 budget assumes an average 2% reduction in LFA rates (over the 2009 rates) and a savings target of \$1.5 million.

2.5 The Secretariat is committed to achieving best value for LFA services. An LFA performance evaluation system is being put in place to systematically track LFA performance, provide LFAs with structured feedback and to take robust action to address sub-standard performance. Following the re-tender, all LFAs have received training and orientation on the Secretariat's information and performance requirements and the evolving LFA role. The LFA Manual provides a comprehensive explanation of the LFA statement of work at each stage of the grant life cycle.

PART 3: ALLOCATION OF 2010 BUDGET BY ACTIVITY

3.1 The Secretariat applies activity-based budgeting which requires each team within each cluster to develop its workplan according to the activity framework and to estimate budgetary resources needed for the implementation of each activity (i.e. a zero-based approach).

3.2 The tables that follow summarise the detailed workplans, showing the allocation of budget amounts and staffing (by FTE) to each activity.

Table 1: Summary allocation of 2010 budget by Activity, across expense types

| Activity Code | Activity Grouping | % of total | TOTAL | Staffing | | Prof. Fees | Travel | Meetings | Communi-cations materials | Office infra-structure | External co-funding |
|---------------|---|------------|--------------|------------|--------------|-------------|-------------|------------|---------------------------|------------------------|---------------------|
| | | | US\$m | FTE | US\$m | US\$ | US\$m | US\$m | US\$m | US\$m | US\$m |
| 1000 | Special initiatives ⁽¹⁾ | 13% | 25.6 | 78 | 13.8 | 7.2 | 2.0 | 2.0 | 0.7 | - | - |
| 2000 | Optimize grant effectiveness | 26% | 52.2 | 186 | 32.1 | 9.2 | 8.0 | 2.1 | 0.7 | - | - |
| 3000 | Performance and Evaluation | 9% | 18.2 | 56 | 10.1 | 6.3 | 0.9 | 0.3 | 0.2 | 0.4 | - |
| 4000 | Mobilize resources and communicate results | 11% | 22.7 | 74 | 13.3 | 5.0 | 2.7 | 1.0 | 1.1 | 0.1 | (0.5) |
| 5000 | Ensure a high-performing and efficient Secretariat ⁽²⁾ | 26% | 52.6 | 116 | 19.8 | 12.4 | 1.7 | 0.6 | 0.3 | 17.8 | - |
| 6000 | Facilitate governance | 5% | 9.1 | 28 | 5.0 | 1.4 | 1.9 | 0.7 | 0.1 | 0.1 | - |
| 7000 | Provide oversight (by OIG) | 6% | 13.0 | 35 | 6.4 | 5.3 | 0.8 | 0.2 | 0.2 | 0.1 | - |
| 8000 | Build partnerships <i>less: unfilled staff positions</i> | 4% | 8.6 | 30 | 5.7 | 0.5 | 1.8 | 0.4 | 0.0 | 0.0 | - |
| | Total: Secretariat & OIG Operating Expenses | 100% | 201.8 | 597 | 106.2 | 47.3 | 19.8 | 7.4 | 3.1 | 18.5 | (0.5) |

Secretariat: 191.6

Office of the Inspector General: 10.2

(1) Includes strategy & policy, AMFm, gender issues and knowledge management

(2) Includes office rent, facilities and services (including elements of human man resourcesagement, adminstraion and finance)

Table 2: Summary allocation of 2010 budget by Activity, across Clusters

| Cluster | Special Initiatives | | Optimize grant effectiveness | | Performance and Evaluation | | Mobilize resources and communicate results | | Ensure a high-performing and efficient Secretariat | | Facilitate governance | | Provide oversight (by OIG) | | Build Partnerships | | Total | |
|--|---------------------|-----------|------------------------------|------------|----------------------------|-----------|--|-----------|--|------------|-----------------------|-----------|----------------------------|-----------|--------------------|-----------|--------------|------------|
| | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE | US\$m | FTE |
| Office of the Executive Director | 0.3 | 1 | - | - | - | - | 0.8 | 3 | 1.1 | 6 | 0.5 | 3 | 0.3 | 1 | 0.4 | 2 | 3.3 | 16 |
| Country Programs | 3.5 | 16 | 27.5 | 118 | 2.0 | 9 | 0.1 | 0 | 3.6 | 14 | 1.5 | 8 | 1.2 | 6 | 2.8 | 10 | 42.4 | 180 |
| Corporate Services | 5.4 | 14 | 7.4 | 18 | 5.6 | 6 | 1.2 | 4 | 41.3 | 64 | 1.1 | 5 | 0.8 | 2 | - | - | 62.7 | 113 |
| Finance | 0.6 | 3 | 4.9 | 12 | 1.1 | 4 | 0.3 | 2 | 1.9 | 11 | 0.2 | 1 | 0.2 | 1 | - | - | 9.3 | 34 |
| Strategy, Policy & Evaluation | 15.1 | 40 | 12.0 | 38 | 9.2 | 35 | 1.8 | 8 | 3.3 | 15 | 1.6 | 4 | 0.1 | 1 | 2.2 | 7 | 45.2 | 148 |
| External Relations & Partnerships | 0.8 | 3 | 0.3 | 1 | 0.2 | 2 | 18.5 | 57 | 1.3 | 7 | 3.6 | 7 | 0.2 | 0 | 3.1 | 11 | 28.1 | 88 |
| Office of the Chair of the Board | - | - | - | - | - | - | - | - | - | - | 0.7 | 1 | - | - | - | - | 0.7 | 1 |
| Sub-total: Secretariat | 25.6 | 78 | 52.2 | 186 | 18.2 | 56 | 22.7 | 74 | 52.6 | 116 | 9.1 | 28 | 2.7 | 12 | 8.6 | 30 | 191.6 | 579 |
| Office of the Inspector General <i>less: unfilled positions</i> | - | - | - | - | - | - | - | - | - | - | - | - | 10.2 | 23 | - | - | 10.2 | 23 |
| Total: Secretariat & OIG | 25.6 | 78 | 52.2 | 186 | 18.2 | 56 | 22.7 | 74 | 52.6 | 116 | 9.1 | 28 | 13.0 | 35 | 8.6 | 30 | 201.8 | 597 |
| | 13% | 13% | 26% | 31% | 9% | 9% | 11% | 12% | 26% | 19% | 5% | 5% | 6% | 6% | 4% | 5% | 100% | 100% |

Table 3: Detailed allocation of 2010 budget by Activity, across expense types

| Activity | Activity code | Description | Total | Staffing | | Prof. Fees | Travel | Meetings | Communications materials | Office infrastructure | External co-funding |
|--|--|---|--------------|------------|--------------|-------------|-------------|------------|--------------------------|-----------------------|---------------------|
| | | | US\$m | FTE | US\$m | US\$ | US\$m | US\$m | US\$m | US\$m | US\$m |
| Special Initiatives | 1010 | Develop, refine and/or implement GF strategy & policies | 12.4 | 50 | 8.3 | 2.1 | 1.0 | 0.9 | 0.1 | - | - |
| | 1020 | Gender- Integration of Gender Issues | 1.8 | 6 | 1.2 | 0.2 | 0.2 | 0.2 | - | - | - |
| | 1030 | AMFm | 6.8 | 11 | 2.1 | 3.6 | 0.4 | 0.6 | 0.1 | - | - |
| | 1040 | Knowledge Management | 4.6 | 11 | 2.2 | 1.3 | 0.4 | 0.3 | 0.5 | - | - |
| Optimize grant effectiveness | 2010 | Process grant proposals and support TRP | 5.2 | 13 | 2.3 | 1.1 | 1.2 | 0.2 | 0.3 | - | - |
| | 2020 | Process grant renewal applications | 2.3 | 13 | 2.1 | 0.0 | 0.1 | - | 0.1 | - | - |
| | 2030 | Grant management - negotiate new grants | 4.3 | 19 | 3.3 | 0.1 | 0.9 | - | 0.1 | - | - |
| | 2040 | Grant management - negotiate grant renewals | 5.0 | 20 | 3.6 | 0.3 | 1.1 | 0.0 | - | - | - |
| | 2050 | Grant management - disbursements | 5.0 | 24 | 4.1 | - | 0.9 | - | - | - | - |
| | 2060 | Grant management - procurement & quality assurance | 3.0 | 9 | 1.5 | 1.2 | 0.0 | 0.2 | - | - | - |
| | 2080 | Regional and other In-Country Meetings | 6.8 | 21 | 3.6 | 0.1 | 1.9 | 1.1 | 0.1 | - | - |
| | 2090 | Support grant management | 18.8 | 57 | 10.0 | 6.5 | 1.6 | 0.6 | 0.1 | - | - |
| 2110 | Grant management-performance frameworks | 1.9 | 10 | 1.7 | - | 0.2 | - | - | - | - | |
| Performance and Evaluation | 3010 | Support TERG & independent evaluations | 0.8 | 3 | 0.5 | 0.0 | 0.1 | 0.1 | 0.0 | - | - |
| | 3020 | Evaluate Global Fund performance | 6.2 | 12 | 2.2 | 3.9 | 0.0 | 0.0 | 0.1 | - | - |
| | 3070 | Ensure efficient collection and analysis of GF data | 2.4 | 9 | 1.6 | 0.5 | 0.2 | 0.1 | - | - | - |
| | 3040 | Incountry Evaluations | 2.1 | 9 | 1.5 | 0.2 | 0.4 | - | - | - | - |
| | 3050 | Data Quality Assurance | 2.3 | 7 | 1.3 | 0.9 | 0.1 | - | 0.1 | - | - |
| | 3060 | Risk Management Framework | 1.6 | 5 | 1.0 | 0.2 | 0.0 | 0.0 | - | 0.4 | - |
| 3080 | Analyze Global Fund effectiveness and impact | 2.6 | 11 | 2.0 | 0.5 | 0.1 | 0.0 | - | - | - | |
| Mobilize resources and communicate results | 4010 | Mobilize financial resources | 4.5 | 15 | 2.7 | 0.8 | 0.6 | 0.4 | 0.0 | - | - |
| | 4020 | Communicate GF needs and results | 14.0 | 46 | 8.0 | 3.4 | 1.1 | 0.4 | 1.0 | 0.1 | - |
| | 4040 | Replenishment | 1.4 | 4 | 0.7 | 0.2 | 0.5 | (0.0) | 0.0 | - | - |
| | 4050 | Mobilize increased private sector contribution | 2.3 | 7 | 1.4 | 0.3 | 0.4 | 0.2 | 0.1 | - | - |
| 4060 | Develop additional innovative financing mechanisms | 0.5 | 2 | 0.5 | 0.4 | 0.1 | 0.0 | - | - | (0.5) | |
| Ensure a high-performing and efficient Secretariat | 5010 | Manage the Secretariat | 7.4 | 31 | 5.9 | 0.5 | 0.7 | 0.3 | 0.1 | 0.0 | - |
| | 5050 | Provide office facilities and services | 28.9 | 31 | 4.8 | 6.2 | 0.0 | 0.0 | 0.0 | 17.8 | - |
| | 5060 | Provide HR services | 6.5 | 20 | 3.4 | 2.6 | 0.5 | 0.0 | 0.0 | - | - |
| | 5070 | Develop and train staff | 5.7 | 16 | 2.9 | 2.4 | 0.2 | 0.0 | 0.1 | - | - |
| | 5080 | Provide Trustee and administrative framework | 0.0 | 0 | 0.0 | - | - | - | - | - | - |
| | 5090 | Financial Management | 3.9 | 17 | 2.8 | 0.7 | 0.1 | 0.3 | - | 0.0 | - |
| | 5110 | Provide Provident Fund management framework | 0.1 | 0 | 0.1 | 0.0 | - | - | - | - | - |
| Facilitate governance | 6010 | Support Board | 5.0 | 16 | 2.8 | 0.3 | 1.2 | 0.5 | 0.1 | 0.1 | - |
| | 6020 | Support Board Committees | 3.5 | 10 | 1.8 | 0.9 | 0.7 | 0.2 | - | 0.0 | - |
| | 6030 | Support Partnership Forum | 0.6 | 2 | 0.3 | 0.2 | 0.0 | 0.0 | 0.0 | - | - |
| Provide oversight (by OIG) | 7010 | Internal Audit | 6.2 | 9 | 1.8 | 3.9 | 0.2 | 0.1 | 0.1 | 0.0 | - |
| | 7030 | Counter fraud | 0.3 | - | - | 0.0 | 0.2 | - | 0.1 | 0.0 | - |
| | 7040 | Investigation | 3.9 | 15 | 2.6 | 1.0 | 0.2 | 0.0 | 0.0 | 0.0 | - |
| | 7050 | Support oversight function | 2.6 | 11 | 2.0 | 0.4 | 0.2 | 0.1 | - | - | - |
| Build Partnerships | 8010 | Build and maintain key institutional partnerships | 5.5 | 18 | 3.4 | 0.2 | 1.5 | 0.3 | 0.0 | - | - |
| | 8020 | Develop and measure performance of partnership agreements | 1.4 | 6 | 1.2 | 0.0 | 0.2 | - | 0.0 | - | - |
| | 8030 | Work with technical partners to facilitate engagement | 1.7 | 6 | 1.1 | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 | - |
| Total: Secretariat & OIG Budget | | | 201.8 | 597 | 106.2 | 47.3 | 19.8 | 7.4 | 3.1 | 18.5 | (0.5) |

PART 4: CHANGES IN BUDGET FROM 2009 TO 2010

4.1 The tables below summarize the budget in a matrix of costs by function and by expense type. The differences between the 2009 and 2010 budgets are demonstrated in the "Changes" table.

| Budget 2010 | | Budget 2010 (US\$'000) | | | | | | | | | | | Pos. | FTE | |
|-----------------------------------|-------------|------------------------|-------------------|---------------|---------------|------------------------------------|-----------------------|---------------------|-------------------------|--------------|--------------------------------|--|------|------------|------------|
| | TOTAL | Staff | Professional fees | Travel | Meetings | Communication materials & services | Office infrastructure | External co-funding | Funding to support CCMs | LFA Services | Contingency; Efficiency target | | | | |
| Secretariat: | | | | | | | | | | | | | | | |
| Country Programs | 15% | 42'358 | 30'854 | 1'329 | 7'045 | 2'653 | 477 | | | | | | | 180 | 180 |
| Strategy, Policy & Evaluation | 16% | 45'221 | 27'037 | 10'172 | 4'287 | 2'429 | 1'296 | | | | | | | 148 | 148 |
| External Relations & Partnerships | 10% | 28'061 | 15'769 | 4'846 | 4'805 | 2'022 | 945 | 175 | -500 | | | | | 88 | 88 |
| Office of the Executive Director | 1% | 3'263 | 2'691 | 130 | 403 | 40 | | | | | | | | 16 | 16 |
| Corporate Services | 23% | 62'658 | 19'683 | 22'581 | 1'888 | 89 | 190 | 18'226 | | | | | | 113 | 113 |
| Finance | 3% | 9'318 | 5'702 | 3'035 | 557 | 23 | | 1 | | | | | | 34 | 34 |
| Office of the Chair of the Board | 0% | 681 | 194 | 279 | 178 | | | 30 | | | | | | 1 | 1 |
| Secretariat | 69% | 191'560 | 101'929 | 42'371 | 19'162 | 7'257 | 2'908 | 18'433 | -500 | | | | | 579 | 579 |
| Office of the Inspector General | 4% | 10'241 | 4'291 | 4'951 | 610 | 128 | 210 | 52 | | | | | | 23 | 23 |
| Funding of CCMs | 3% | 7'000 | | | | | | | 7'000 | | | | | | |
| In-country Oversight | 25% | 68'003 | | | | | | | | 68'003 | | | | | |
| Total, before contingency | | 276'804 | 106'220 | 47'322 | 19'772 | 7'384 | 3'118 | 18'485 | -500 | 7'000 | 68'003 | | | 602 | 602 |
| Contingency | | | | | | | | | | | | | | -5 | -5 |
| Total Operating Expenses | 100% | 276'804 | 106'220 | 47'322 | 19'772 | 7'384 | 3'118 | 18'485 | -500 | 7'000 | 68'003 | | | 597 | 597 |
| | | 100% | 38% | 17% | 7% | 3% | 1% | 7% | 0% | 3% | 25% | | | | |

| Budget 2009 | | Budget 2009 (US\$'000) | | | | | | | | | | | Pos. | FTE | |
|-----------------------------------|-------------|------------------------|-------------------|---------------|---------------|------------------------------------|-----------------------|---------------------|-------------------------|--------------|--------------------------------|-------|------|------------|------------|
| | TOTAL | Staff | Professional fees | Travel | Meetings | Communication materials & services | Office infrastructure | External co-funding | Funding to support CCMs | LFA Services | Contingency; Efficiency target | | | | |
| Secretariat: | | | | | | | | | | | | | | | |
| Country Programs | 16% | 41'264 | 28'725 | 1'520 | 7'750 | 2'977 | 292 | | | | | | | 180 | 162 |
| Strategy, Policy & Evaluation | 18% | 45'297 | 22'809 | 14'268 | 4'749 | 1'920 | 1'547 | 3 | | | | | | 148 | 126 |
| External Relations & Partnerships | 11% | 26'758 | 14'264 | 4'105 | 4'936 | 1'929 | 1'294 | 229 | | | | | | 88 | 85 |
| Office of the Executive Director | 1% | 3'461 | 2'315 | 430 | 598 | 119 | | | | | | | | 15 | 15 |
| Corporate Services | 21% | 52'685 | 16'652 | 17'819 | 1'814 | 96 | 90 | 16'214 | | | | | | 113 | 103 |
| Finance | 3% | 8'668 | 4'909 | 2'900 | 843 | 16 | | | | | | | | 34 | 29 |
| Office of the Chair of the Board | 0% | 674 | 194 | 254 | 176 | | | 50 | | | | | | 1 | 1 |
| Transition Credits | 1% | 3'000 | | | | | | | | | | 3'000 | | | |
| Secretariat | 72% | 181'806 | 89'867 | 41'296 | 20'867 | 7'057 | 3'224 | 16'496 | | | | | | 579 | 520 |
| Office of the Inspector General | 3% | 6'670 | 3'300 | 1'616 | 1'310 | 135 | 60 | 248 | | | | | | 19 | 17 |
| Funding of CCMs | 2% | 6'000 | | | | | | | 6'000 | | | | | | |
| In-country Oversight | 23% | 58'027 | | | | | | | | 58'027 | | | | | |
| Total, before contingency | | 252'503 | 93'167 | 42'912 | 22'177 | 7'192 | 3'284 | 16'745 | | 6'000 | 58'027 | | | 598 | 537 |
| Contingency | | | | | | | | | | | | | | -5 | -5 |
| Total Operating Expenses | 100% | 252'503 | 93'167 | 42'912 | 22'177 | 7'192 | 3'284 | 16'745 | | 6'000 | 58'027 | | | 593 | 532 |
| | | 100% | 37% | 17% | 9% | 3% | 1% | 7% | | 2% | 23% | | | | |

| Changes from 2009 to 2010 | | Changes from Budget 2009 to 2010 (US\$'000) | | | | | | | | | | | Pos. | FTE | |
|-----------------------------------|------------|---|-------------------|--------------|---------------|------------------------------------|-----------------------|---------------------|-------------------------|--------------|--------------------------------|--|------|----------|-----------|
| | TOTAL | Staff | Professional fees | Travel | Meetings | Communication materials & services | Office infrastructure | External co-funding | Funding to support CCMs | LFA Services | Contingency; Efficiency target | | | | |
| Secretariat: | | | | | | | | | | | | | | | |
| Country Programs | 3% | 1'093 | 2'129 | -191 | -705 | -324 | 185 | | | | | | | -0 | 18 |
| Strategy, Policy & Evaluation | 0% | -76 | 4'228 | -4'097 | -462 | 509 | -251 | -3 | | | | | | | 21 |
| External Relations & Partnerships | 5% | 1'304 | 1'505 | 741 | -132 | 93 | -349 | -54 | -500 | | | | | 1 | 3 |
| Office of the Executive Director | -6% | -197 | 376 | -300 | -195 | -79 | | | | | | | | 1 | 1 |
| Corporate Services | 19% | 9'973 | 3'031 | 4'762 | 73 | -7 | 100 | 2'012 | | | | | | | 10 |
| Finance | 7% | 650 | 793 | 135 | -286 | 7 | | 1 | | | | | | | 5 |
| Office of the Chair of the Board | 1% | 7 | -0 | 25 | 2 | | | -20 | | | | | | | |
| Transition Credits | -100% | -3'000 | | | | | | | | | | | | | -3'000 |
| Secretariat | 5% | 9'754 | 12'062 | 1'075 | -1'704 | 199 | -315 | 1'937 | -500 | | | | | 0 | 59 |
| Office of the Inspector General | 54% | 3'571 | 991 | 3'335 | -700 | -8 | 150 | -196 | | | | | | 4 | 6 |
| Funding of CCMs | 17% | 1'000 | | | | | | | 1'000 | | | | | | |
| In-country Oversight | 17% | 9'976 | | | | | | | | 9'976 | | | | | |
| Total, before contingency | 10% | 24'301 | 13'053 | 4'410 | -2'404 | 192 | -165 | 1'740 | -500 | 1'000 | 9'976 | | | 4 | 64 |
| Contingency | | | | | | | | | | | | | | | |
| Total Operating Expenses | 10% | 24'301 | 13'053 | 4'410 | -2'404 | 192 | -165 | 1'740 | -500 | 1'000 | 9'976 | | | 4 | 64 |
| Change as % of 2009 budget | | 10% | 14% | 10% | -11% | 3% | -5% | 10% | -2% | 4% | 17% | | | | |
| Composition of change | | 100% | 54% | 18% | -10% | 1% | -1% | 7% | -2% | 4% | 41% | | | | -12% |

PART 5: RATIOS

5.1 The tables below illustrate the evolution of ratios over 2008, 2009 and 2010, based on the proposed budget and various measures of grant activity.

- The two ratios (1 & 2) cited as guidelines in the budget framework indicate values for 2010 within the guideline ceilings and lying between the values for 2008 and 2009. Ratio 1 is similar to the 2009 value. Ratio 2 shows a decrease in the value of grant commitments per employee, due mainly to the increase in FTEs as staff hired in 2009 (and hence are partial FTEs in 2009) represent whole FTEs in 2010.
- The other operating expenses ratios (3, 4 & 5) all show declines in 2010 compared to 2009.
- The other 'value-added per employee' ratios (6 & 7) each show increases in 2010 compared to 2009.

| Budget Framework Ratios | | Guideline ceiling | 2008 Actual | 2009 Budget | 2010 Budget |
|---|---------|-------------------|----------------|----------------|----------------|
| 1. Operating Expenses as % of Total Expenditure | <6% | | 6.6% | 4.8% | 4.9% |
| 2. Grant Commitments per Employee (FTE) | <\$8.8m | \$m | 6.0 | 9.4 | 8.9 |

Other Ratios

| <u>Operating Expenses ratios:</u> | | 2008 | 2009 | 2010 |
|---|-----|------|-------|------|
| 3. Operating Exps. as % of Value of Active Grants | | 1.6% | 1.9% | 1.7% |
| 4. Operating Expenses as % of Grant Disbursements | | 7.4% | 10.1% | 6.9% |
| 5. Operating Expenses per active grant | \$k | 332 | 461 | 447 |
| <u>Value-added per employee (FTE):</u> | | 2008 | 2009 | 2010 |
| 6. Grant Disbursements in Year per employee | \$m | 5.7 | 4.7 | 6.7 |
| 7. Value of Active Grants per employee | \$m | 25.7 | 24.8 | 27.6 |

Source Data:

| | | 2008 | 2009 | 2010 | Change 2009 to 2010 | |
|--|-----------|--------|-----------|-----------|------------------------|-----|
| Budget Totals: | | Actual | Budget | Budget | | |
| Operating Expenses | (a) \$m | 164 | 253 | 274 | 22 | 9% |
| Staff Positions | # | 392 | 593 | 597 | 4 | 1% |
| Staff FTE | # | 389 | 532 | 597 | 64 | 12% |
| Key Numbers: | | Actual | Projected | Projected | | |
| Grant Commitments entered into in year | (b) \$m | 2'322 | 5'000 | 5'300 | 300 | 6% |
| Total Expenditure in year | (a+b) \$m | 2'486 | 5'253 | 5'574 | 322 | 6% |
| Grant Disbursements in year | \$m | 2'234 | 2'500 | 4'000 | 1'500 | 60% |
| Value of Active Grants | \$m | 10'000 | 13'200 | 16'500 | 3'300 | 25% |
| Number of Active Grants (average for year) | # | 495 | 548 | 613 | 65 | 12% |
| Number of new grants signed | # | 86 | 146 | 157 | 11 | 8% |

PART 6: LINKING OF THE BUDGET TO KEY PERFORMANCE INDICATORS

6.1 As requested by the FAC, the Secretariat has associated each activity within the 2010 budget to the relevant Key Performance Indicator(s) (KPIs) or Management Performance Indicator(s) (MPIs) that are supported by that activity. Each team has associated its budgeted activities to the achievement of one or two KPIs and one or two MPIs.

6.2 Because some activities are not directly related to a KPI, a set of Management Performance Indicator(s) (MPIs) has been introduced to measure recurring business processes or non-recurring time-bound activity linked to the main functions of a team, that are not directly related to a KPI. MPIs are monitored by the Executive Management Team. The significant activities which are being monitored through MPIs include AMFm, availability of accurate grant data; increased media mentions; availability of global partnership frameworks and proposals management.

6.3 In this manner, every activity has been associated with either the KPIs, MPIs or is in support of other functions, as summarized in the table below. Of the total 2010 budget for Secretariat and OIG expenses, 67% is in support of KPIs.

Table 1: Summary of mapping of KPIs and MPIs to 2010 budget

| Amount of budget associated with: | US\$ m | % | FTE | % |
|--|--------------|-------------|------------|-------------|
| Key Performance Indicators | 135.4 | 67% | 395 | 66% |
| Management Performance Indicators | 32.0 | 16% | 106 | 18% |
| Oversight functions | 13.0 | 6% | 35 | 6% |
| Governance functions | 9.1 | 5% | 28 | 5% |
| Support to TRP, TERG and similar functions | 12.3 | 6% | 38 | 6% |
| <i>Unfilled positions</i> | | | (5) | -1% |
| Total | 201.8 | 100% | 597 | 100% |

6.4 The detailed allocation of budgetary resources across KPIs is illustrated in Table 2 below. This table shows the percentage distribution the 2010 budget allocated to KPIs. The table is organized according to the Global Fund's evaluation framework which allows for a comprehensive assessment of the organization's performance across the dimensions of: operational performance, grant performance, system effects and impact on the three diseases. The table shows the % allocation to each KPI and the resultant KPIs according to that allocation.

6.5 The "Top 3" KPIs in terms of budget allocation include:

- Portfolio Performance (KPI 18) which includes all grant management, oversight and support activities to strengthen the performance of programs supported by the Global Fund;
- Donor Pledges (KPI 2) which encompasses resource mobilization and external communication; and
- Volume of Financing (KPI 11) which relates to disbursements to Global Fund grants.

6.6 The other KPIs with important budget allocations include Staff Performance Management (KPI 6), Speed of Grant Signing and Disbursements (KPIs 9 and 10), Funding follows Performance (KPIs 12 and 13), Improved Performance (KPI 19) and Private Sector Contribution (KPI 3). This information should facilitate the assessment of the relative budget allocations by priority area.

Table 2: Detailed Mapping of KPIs to 2010 budget

| | | KPI Title | KPI Description | Ratio | Ranking |
|-----------------------------------|--|---|---|------------|------------|
| 1- OPERATIONAL PERFORMANCE | | | | 59% | I |
| Resource mobilization | 1- Donor Contributions | | Percentage of pledges for [assessed year] contributed | 2.9% | 12 |
| | 2- Donor Pledges | | % of 2010 funding needs (grants forecast to be approved) pledged | 9.7% | 2 |
| | 3- Private Sector Contribution | | Total dollars raised from the private sector (as % of total annual pledges and contributions for the assessed year) | 5.8% | 7 |
| Administrative Effectiveness | 4- Private Sector Contribution | | Nb. of staff in the Private Sector Team / Dollars raised from the private sector | 0.9% | 18 |
| | 5- Staff Diversity | | Performance against three agreed diversity targets (gender, ethnicity, communities) | 0.4% | 23 |
| | 6- Staff Performance Management | | % of staff meeting their annual individual performance targets (in their performance evaluations) | 6.3% | 4 |
| | 7- Staff Satisfaction | | % of staff who rate professional satisfaction and motivation as 'high' or 'very high' in staff survey | 3.5% | 11 |
| Portfolio Management | Financing Efficiency | 8- GF Secretariat's Operating Expenses | Operating expenses as: a- % of grants under management b- % of total expenditures | 2.0% | 14 |
| | | 9- Speed of Grant Signing | Average time between Proposal (Rounds-based) approval and first disbursement | 6.1% | 6 |
| | | 10- Speed of Disbursement Processing | Average time between receipt of LFA-verified PU/DR and date of disbursement | 3.9% | 10 |
| | Performance Management | 11- Volume of Financing | Actual disbursements compared to target disbursement | 7.1% | 3 |
| | | 12- Funding follows performance (ongoing disbursements) | Strong performing grants receive higher % of expected disbursements than poor performing grants | 4.7% | 9 |
| | | 13- Funding follows performance (grant renewal) | At Phase 2 grant renewal strong performing grants receive higher % of the original Phase 2 amount than poor performing grants | 5.1% | 8 |
| Special Initiatives | 14-Transparent Data | | % of grants with complete progress & financial data published in grant performance reports at the time of disbursement (within two weeks) | 0.1% | 26 |
| | 15- Post ASA Transition | | a- Employee Attraction and Retention b- ERP Performance | 0.4% | 22 |
| 2- GRANT PERFORMANCE | | | | 34% | II |
| | 16- Reporting | | % of grants reporting complete information in the Price Quality Reporting - PQR (formally PRM) | 0.3% | 24 |
| | 17- Results | | % of Top 10 output targets achieved in GF supported programs | 2.1% | 13 |
| | 18- Portfolio Performance | | % of well performing Grants | 25.7% | 1 |
| | 19- Improved Performance | | % of grants with previous poor performance whose performance has improved within one year | 6.3% | 5 |
| 3- SYSTEM EFFECTS | | | | 5% | III |
| | 20- Aid Effectiveness (including NSA and new Architecture) | | Average gap in achieving Paris Declaration targets (in %) | 1.8% | 15 |
| | 21- Transparency and Accountability | | % of GF funding to government PRs that is listed in the national or health sector budget and/or annexes | 0.3% | 25 |
| | 22- Health System Strengthening | | Amount of approved funding for HSS cross-cutting interventions in new Rounds | 1.4% | 16 |
| | 23- Civil Society Engagement | | % of funds allocated to civil society organizations as implementers | 0.9% | 19 |
| | 24- Impact Systems | | % of disease specific country programs with adequate systems to measure impact | 1.1% | 17 |
| 4- IMPACT | | | | 1% | IV |
| | 25- Country Impact | | % of countries with GF funding reporting positive trends towards the Millennium Development Goals # 4 and #6 | 0.7% | 20 |
| | 26- Global Impact | | Global progress to achieve the Millennium Development Goals (MDGs) targets is on track: - MDG 4: Reduce by two-thirds under-5 child mortality by 2015 - HIV: Achieve, by 2010, universal access for ARV treatment - MDG 6: Halt and begin to reverse the incidence | 0.5% | 21 |

PART 7: THREE-YEAR OUTLOOK

7.1 Based on outputs from the 2010 workplans and refinements suggested through the Workload Analysis (ADP, September 2009) the potential evolution of Operating Expenses through 2012 has been modeled for a number of scenarios. While the model and the assumptions will be further developed, the early outputs can serve as an indication of likely trends.

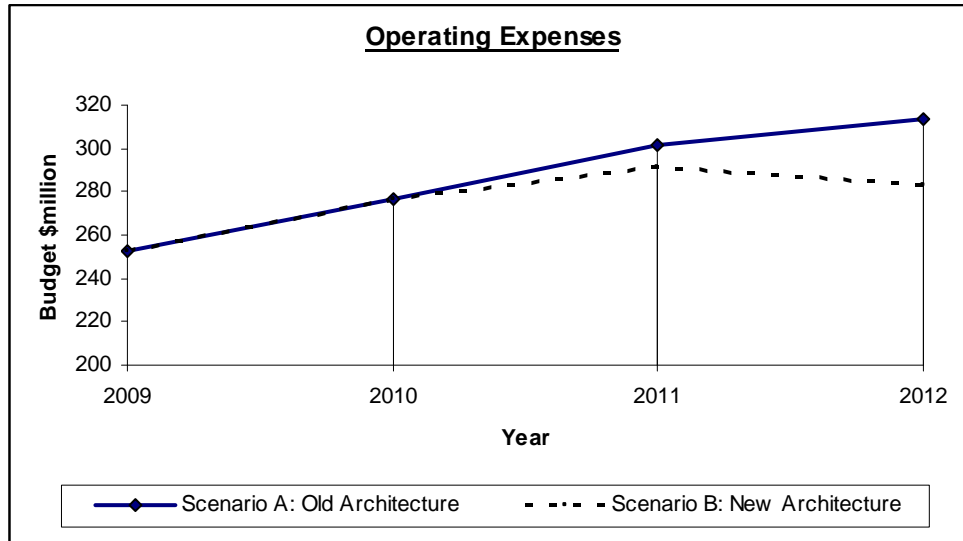
Grant Architecture changes:

7.2 A key factor in the evolution of Global Fund operating expenses is the implementation of the re-designed grant architecture. Under the new architecture, new funding will no longer create an additional grant as heretofore. Instead, the new funding will be added to the existing grant for the same Principal Recipient (PR), to form a 'single stream' of funding for that PR in respect of each disease. As existing grants reach the end of their current phases, they will, to the extent feasible, be consolidated into that single stream. These changes will reduce the growth in the number of grants that would otherwise continue to occur with each round of new grants.

7.3 Because grant management activities are very much related to the number of grants being managed, expenses of the Secretariat and Local Fund Agents are strongly impacted by the number of grants. Although one-time effort (and hence costs) will be required to consolidate grants and make funding additions (and performance revisions) to a PR's single stream, many ongoing activities will be reduced as a result of managing fewer grants than would otherwise be the case. For example, each disbursement request requires activities to be performed by the PR, the LFA and the Secretariat. Hence, the addition of new funding to the single stream, instead of the creation of an additional grant, will result in one (larger) disbursement instead of two (smaller) disbursements to that PR each time funds are disbursed.

7.4 Table 1 below illustrates the potential impact on Operating Expenses of consolidation, assuming a progression of consolidation rates through 2010 - 2012 such that 50% of all new funding proposals added to the single stream in 2012 are consolidated with an existing grant. It also assumes that Rounds 10 and 11 are approved in 2011 and 2012 respectively, each with a similar number of successful proposals as in Round 9. This indicates a leveling-off of Operating Expenses as a result of the new grant architecture at about US\$ 280 million per year, prior to inflationary increases. By contrast, were the old architecture continued, the growth in the number of grants being managed would take operating expenses to about US\$320 million by 2012.

Table 1: Evolution of Operating Expenses: Old and New Grant Architecture



Expressed in '2010 dollars', prior to subsequent cost inflation

Efficiencies from Grant Management processes and systems

7.5 Further key factors in the evolution of Global Fund operating expenses are the efficiencies that will result from:

- (a) the potential streamlining of processes when re-designed to suit the new architecture; and
- (b) the upgrading of information systems to support grant management (as described in Attachment 1, Part 8).

The potential impact of these efficiencies has not yet been quantified.

PART 8: INVESTMENT IN GRANT MANAGEMENT SYSTEMS

Business Case for IT Enablement Initiative investment in 2010-2012

Introduction

8.1 Two complementary avenues are seen as key to process effectiveness and efficiency for the longer-term:

- a) The re-design of the Grant Architecture
- b) A radical upgrade, automation and integration of information systems for grant management

8.2 The grant architecture proposals will be presented to the Board for approval in November 2009. This paper sets forth the business case for an investment of approximately US\$ 11 million over 3 years to radically upgrade information systems that enable grant management. Provision for one-third of this investment is incorporated in the budget proposed for 2010.

Current state

8.3 Due to the growth of the organization and the number of grants under management, the current IT systems supporting the grant process need significant redesign. They have been developed organically to support the rapidly evolving needs of the organization, and now create a risk of impinging the Global Fund strategic goals. Indeed, the current systems cannot adequately support the new grant architecture, because:

- There are no integrated end-to-end IT systems supporting the full grant lifecycle process flow and IT systems are fragmented creating quality issues and barriers to efficiency improvements
- Significant effort is expended re-keying data between systems and there are no automated workflow or task management capabilities to deliver efficient process management, thus it is difficult to monitor employee workload to ensure the optimum use of resources
- The grant financial data is captured and managed in different places with no integration which means there is duplication of work to ensure consistency
- Systems are hard-coded to deliver the existing processes which means that significant rework, time and cost is associated with implementing systems to support the evolution of the business requirements
- These systems are not accessible on-line via to stakeholder groups outside Geneva

8.4 The existing systems will require significant modifications to support the new architecture. This presents the opportunity to undertake a radical upgrading that can transform grant management processes to both yield efficiencies and enhance the effectiveness of grant management. The recent Workload Analysis conducted at the Global Fund indicates that IT is lacking resources especially in the application development area to cope with the magnitude of work required to address the above issues.

Proposed solution

8.5 As agreed by the Secretariat's IT Advisory Board, there are significant opportunities to improve the IT systems which underpin the grant making process whilst being a corner stone of achieving future efficiency improvements and reengineered processes. The nature of the grant making process is being redesigned. An integrated IT system is a key enabler to deliver the vision for the grant architecture and to realize the benefits of improved efficiency and effectiveness.

8.6 The vision of the solution is for a "one on-line GF information system", holistically designed and built, that will:

- Deliver an integrated IT solution which supports the full grant management lifecycle including end-to-end grant management process and workflows, taking opportunities of the new grant architecture
- Improve efficiency and control of grant lifecycle administration through workflow enablement
- Reduce the cost and time required to support process changes through a more flexible IT architecture starting with the upcoming grant re-architecture initiative
- Drive down grant administration costs by enabling efficient and easy to use on-line services through internet
- Improve the quality and integrity of financial data through the delivery of a grant finance solution which tightly integrates into the grant lifecycle architecture and finance systems
- Build a Business Intelligence platform that ensures up-to-date, consistent, transparent and timely reporting
- Enable more efficient use of resources using solutions optimizing staffing allocation

Benefits

8.7 The benefits to be derived from this overhaul of the IT systems are key to sustaining the growth of the Global Fund. In short, this investment shall:

- Enable the vision of the grant architecture re-design initiative
- Establish a solid foundation for the future that can adapt quickly to process changes
- Reach/enable external key stake holders and partners
- Gain efficiencies and increase effectiveness

Investment Summary

8.8 An analysis of existing staff and use of professional services indicates that an augmentation to resourcing is needed to achieve the above objectives. Most of this work will be outsourced. Therefore, an increase on the current professional fees of US\$ 3.3 million per year for three years of intense work is being requested.

8.9 It is noteworthy that this investment case was originally made for 7 staff and US\$ 5.3 million a year for a two-year project. Being conscious of budget constraints, the work has been re-phased to spread the investment over a longer period. This is the right moment to invest in IT to optimize

the benefits of the whole architecture re-design initiative and allow a significantly more efficient delivery of our core business.

Key transformations

8.10 There is a great opportunity for streamlining of processes through the use of IT which can be addressed through the following:

- A new grant finance solution will replace the existing Finance Database and finance functionality of the Grant Management System (GMS) as the single grant finance transaction system. The expectation is that this will be based in Oracle to leverage the Fund's existing Oracle investment (that is an element of the ASA transition).
- A new grant management solution will be delivered which will deliver a workflow enabled task driven solution to support the end to end grant lifecycle.
- A performance management solution will be delivered by either building on GMS or through the adoption of an Enterprise Performance Management tool.
- A business policy / rules management solution will be deployed to automate Global Fund policy such as eligibility and grant scoring removing the need for custom code and spreadsheets.
- A self-service portal will be delivered which will provide a secure scalable platform for all internet-based delivery to third parties/countries/partners.
- An electronic forms capability will be delivered which will deliver the data capture requirements of Round 10 and remove manual processes.
- Case management functionality will be delivered to support the management of the grant lifecycle.
- A business intelligence platform and tools will be implemented to aid in the collection, retrieval and analysis of information from start to end in support of business processes.
- An integration services platform will be implemented to provide the glue between the components.