

2014 OPERATING EXPENSES BUDGET

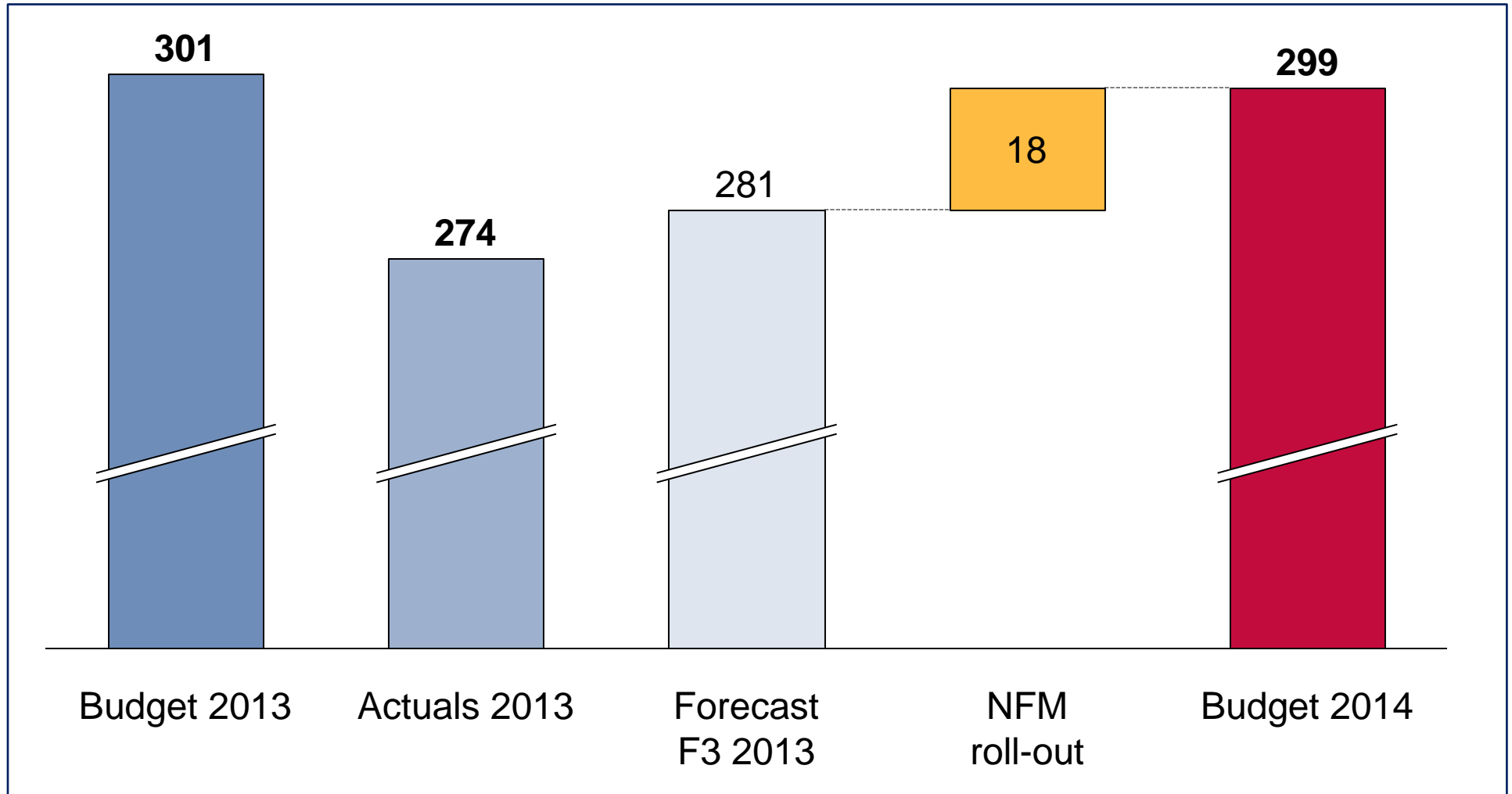
Purpose:

1. This document presents for Board approval the Global Fund Operating Expenses (OPEX) Budget for 2014. The accompanying document (GF/B31/03-Part B) presents a work plan and narrative, for Board information, complementing the 2014 OPEX budget.
2. As a way of reminder, at its Thirtieth Meeting in November 2013 the Board granted delegation of authority to the Finance and Operational Performance Committee (FOPC) to approve an interim OPEX budget for the first quarter of 2014. This delegation of authority was subject to a recommendation for final full-year 2014 OPEX budget for approval by the Board at its Thirty-First Meeting in March 2014.
3. The 2014 OPEX budget as contained in this document was reviewed in depth by the FOPC in December 2013. Consequently, it represents the FOPC's recommendation to the Board for its approval.

2014 Operating Expenses Budget

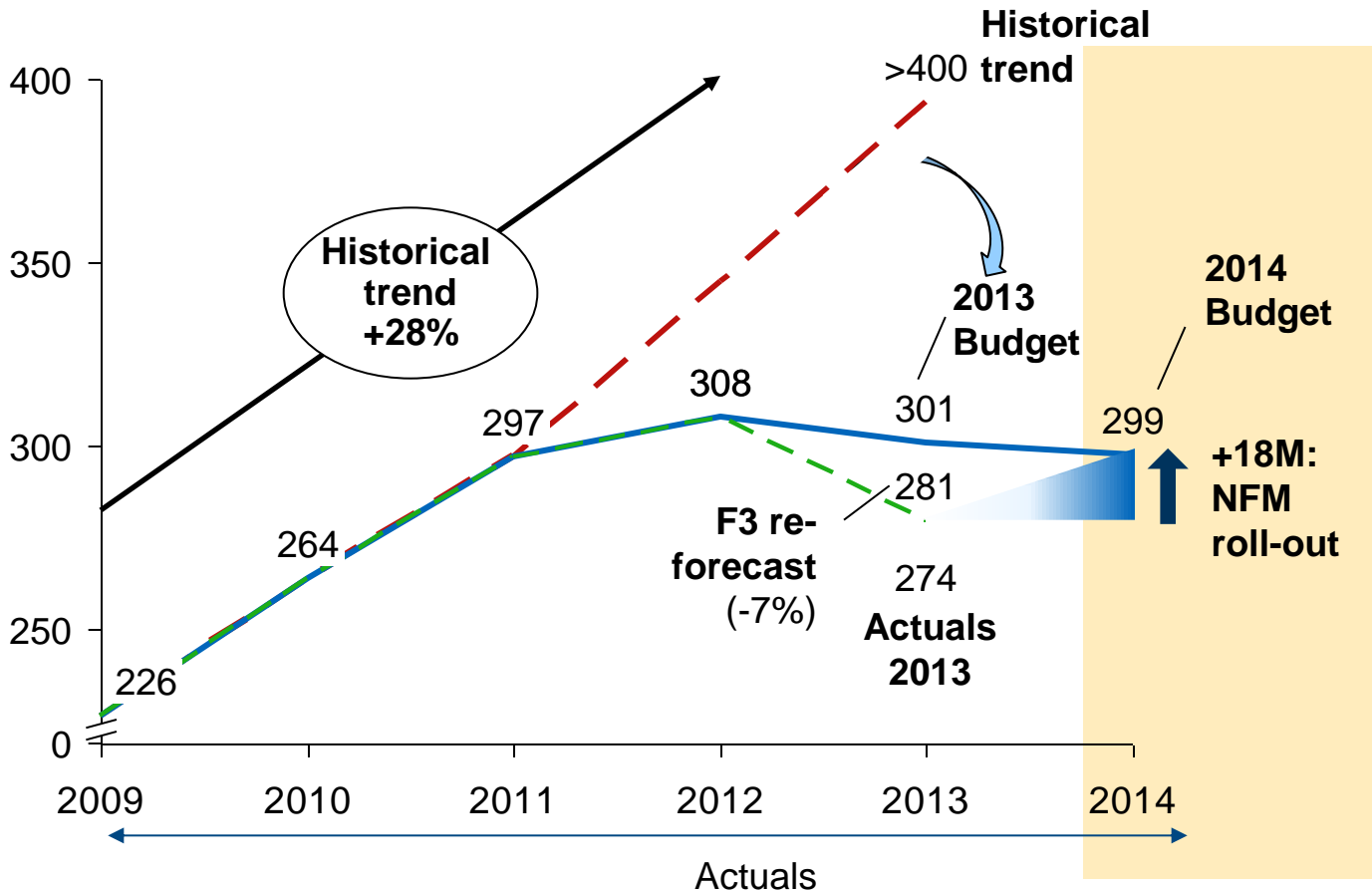
Overview of 2014 Budget proposal

USD millions



Budget is in line with objectives presented to the Board

Operational expenses of the Global Fund USD Millions



2 major objectives:

1. Further enhance **operational excellence and efficiency**

→ 2014 baseline reduction compared to 2013 budget
"We hold the gains....plus..."

And

2. Allocate resources to **strategic priorities** with one key focus: **successful roll out of the New Funding Model**

→ Significant temporary additional investment in 2014 and part of 2015

Overview of Budget by Function (\$m)

Division	2013 Budget	2013 F3	2014 Budget	Var B vs. B	Var B vs. F
General Management (office of the ED)	2.6	2.4	2.2	-15.4%	-8.3%
Operations ¹	176.6	171.7	174.5	-1.2%	1.6%
Support functions ²	91	80.7	92.8	2.0%	15.0%
OIG	21.1	14.2	20.5	-2.8%	44.4%
Governance ³	5.9	5.6	5.6	-5.1%	0.0%
Sub-total divisional budgets	297.2	274.5	295.8	-0.5%	7.7%
Restructuring costs	4	6.1	3.0	-25.0%	-50.8%
Total operating expenses	301.2	280.6	298.8	-0.8%	6.5%

1 Operations: Grant Management, SIID, External Relations

2 Support functions: Communications , Human Resources, Legal & Compliance, Risk Management , Finance & IT, Administration & Procurement

3 Governance: Governance team and Chair/Vice-Chair of the Board

Overview of Budget by Cost Type (\$m)

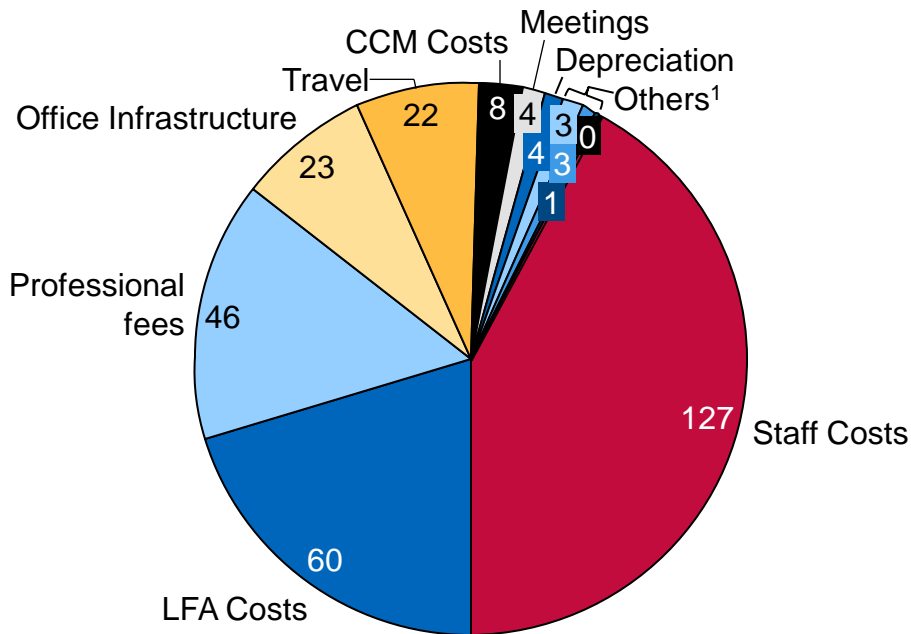
Category	2013 Budget	2013 F3	2014 Budget	Var B vs. B	Var B vs. F
LFA Costs	66.5	64.3	60.0	-9.8%	-6.7%
CCM Costs	4.4	7.6	7.6	72.7%	0.2%
Staff Costs	127.5	117.7	126.5	-0.8%	7.5%
Professional fees	46.8	40.7	45.8	-2.0%	12.6%
Travel	21.3	18.5	21.5	0.6%	15.7%
Meetings	5.1	3.3	3.9	-24.4%	17.1%
Communication	1.8	1.7	2.7	49.6%	62.4%
Office Infrastructure	23.0	20.3	23.3	1.7%	15.1%
Board constituencies funding	0.8	0.8	0.8 ⁽¹⁾	0.0%	1.1%
Depreciation	-	-	3.7	-	-
External co-funding	-	0.3	0.0	-	-
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(1) As per FOPC discussion, ceiling to be increased to 1m within overall 2014 budget envelope.

Budget 2014 by cost type

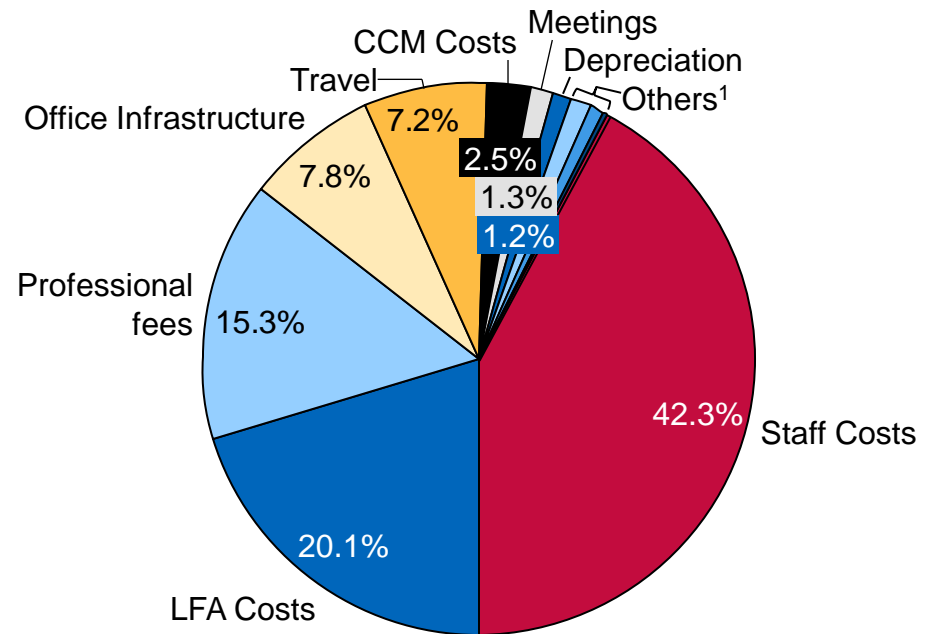
**Budget 2014 by cost type,
USD millions**

Total: USD 299 millions



**Share of budget 2014 by cost type,
Percent**

Total 100% = USD 299 millions

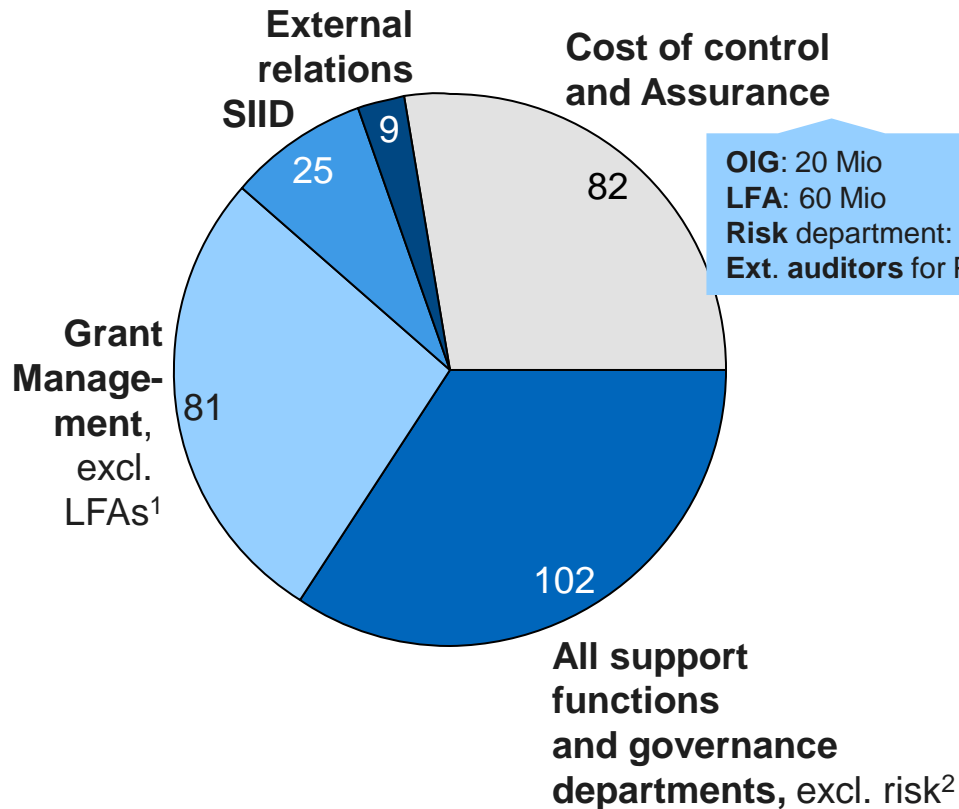


¹ Others: all other costs below or equal to USD 3 million, including restructuring costs, communication, board constituencies support, external co-funding

Control and assurance costs are ~30% of 2014 budget

Budget 2014 by function, USD millions

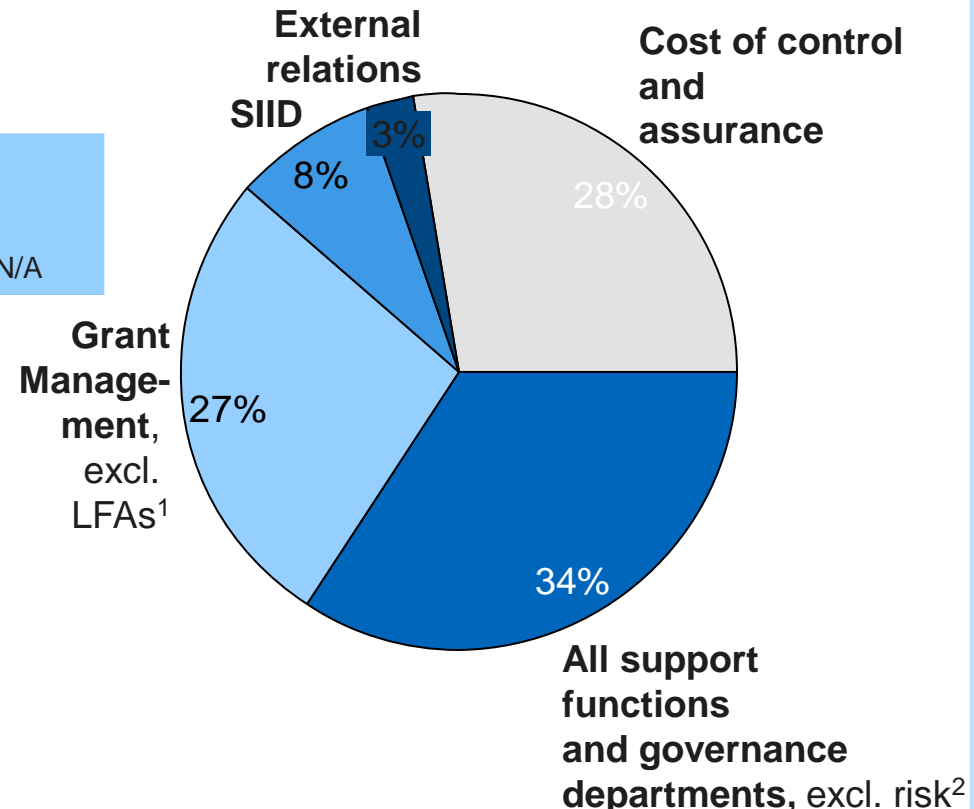
Total: USD 299 millions



OIG: 20 Mio
LFA: 60 Mio
Risk department: 2 Mio
Ext. auditors for PRs: N/A

Share of budget 2014 by function, Percent

Total 100% = USD 299 millions



¹ Grant Management includes all Grant Management division except LFAs fees

² —Support Functions and governance departments include: Communications, Legal, Finance, IT, Governance, HR, Sourcing, Administration, ED office and restructuring costs (HR); it excludes the Risk department

Full Time Equivalent (FTE) Summary

	2013 Budget	2014 Budget	Variance	Variance breakdown		
				NFM	IT	Other
OED	7	8	1	-	-	1
Grant Management	279	316	37	37	-	0
FISA	110	123	13	2	6	5
SIID	67	70	3	10	-	-7
External Relations	35	37	2	-	-	2
OIG	48	48	-	-	-	-
Human Resources	23	23	-	-	-	-
Communications	24	24	-	-	-	-
Risk Management	7	7	-	-	-	-
Legal and Compliance	16	19	3	-	-	3
Governance	7	7	-	-	-	-
Chair of The Board	4	4	-	-	-	-
Total	627	686	59	49	6	4

Decision point (2/2)

Board Decision Point GF/B31/DP04: 2014 Operating Expenses Budget

Based on the recommendation of the Finance and Operational Performance Committee (the “FOPC”), the Board approves the 2014 operating expenses budget in the amount of USD 298.8 million, as set forth in GF/B31/3 Part A (the “2014 Operating Expenses Budget”), which includes USD 20.5 million for the Office of the Inspector General’s 2014 operating expenses.

As previously decided by the Board (GF/B22/DP18), the Secretariat will manage the 2014 OPEX Budget’s exposure to foreign-exchange rate volatility and include in its periodic reporting to the FOPC on budget matters any measures taken to minimize such exposure.

This decision’s impact on the 2014 operating expenses budget is USD 298.8 million.