

# Thirty-Second Board Meeting 2015 OPEX Budget

**THE GLOBAL FUND  
OPEX BUDGET 2015**

**Purpose:**

1. This document presents for Board approval The Global Fund Operating Expenses (OPEX) Budget for 2015. The accompanying document (GF/B32/04) presents a work plan and narrative, complementing the 2015 OPEX budget.
2. The 2015 OPEX Budget as contained in this document was reviewed and discussed in depth by the FOPC in November 2014. Consequently, it represents the FOPC's recommendation to the Board for its approval.

# The 2015 Corporate Workplan and OPEX budget are the outcome of a robust process supported by detailed assumptions

## A robust process...

- **Solid and thorough budget process** that required close, detailed monitoring, review and challenge of assumptions
- **Improved, smoother budget process**, with positive feedback from the organization

## ...built on granular assumptions

- **Improved budget framework** with streamlined, more coherent and more granular information
- **Detailed assumptions capturing** cost by task and activity

## ... guided by corporate priorities

- **Setting of corporate priorities** by the Executive Committee
- **Mapping of planned activities:** activities necessary to achieve priorities vs. ongoing activities
- **Bottom-up costing** across corporate priority-related activities as well as ongoing activities, resulting in the budget

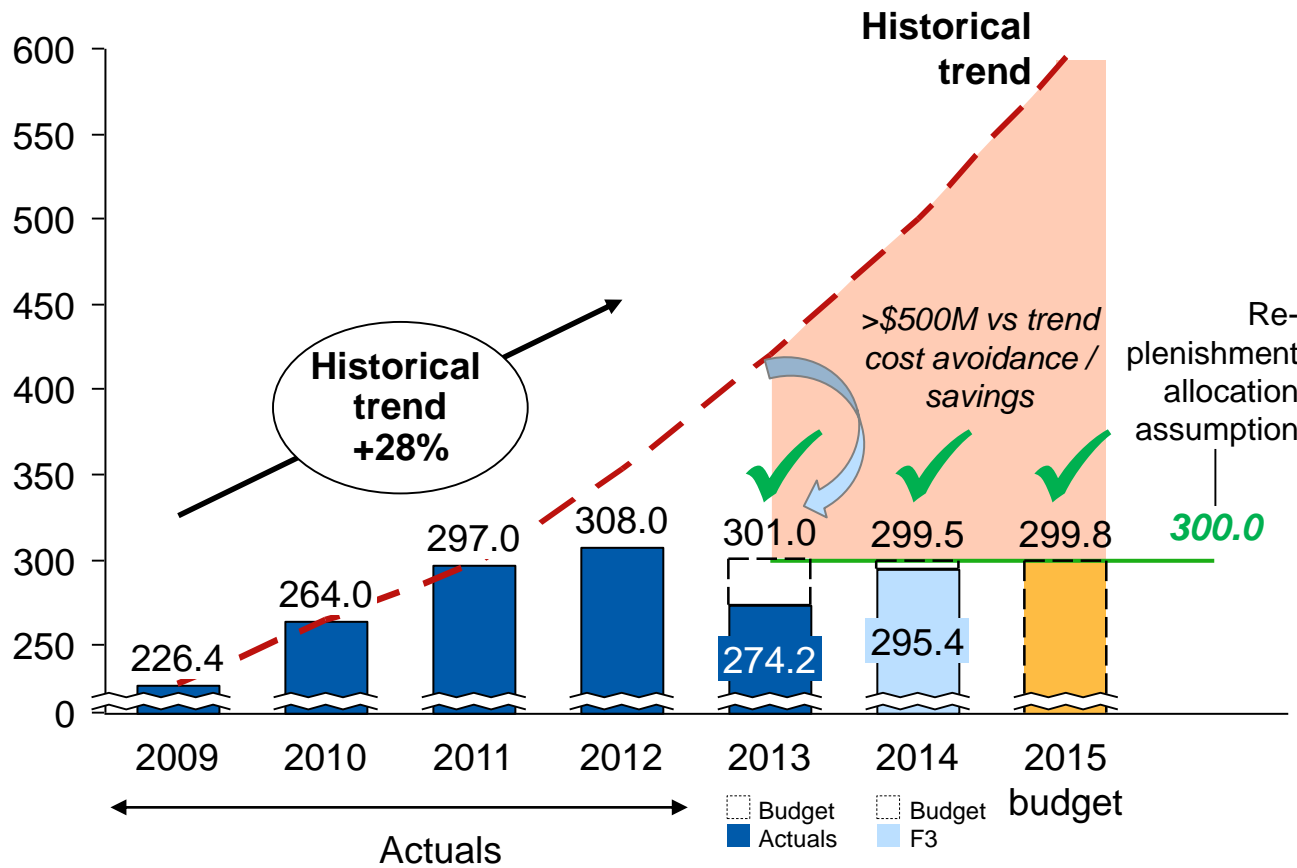
## ... within the financial framework

- **Finalized 2015 budget slightly below \$300M framework**
- **Global Fund still comparing well against benchmarks** in terms of operating expenses ratios

The Global Fund continues to tightly manage its operating expenses, maintaining gains of previous years despite significantly increasing activity

### Operational expenses of the Global Fund

USD Millions



**Adherence to budgeting framework is made possible thanks to state of the art systems, a strengthened controlling team and a maturing culture of financial accountability across the organization**

# Investment continues to be directed to core work areas of the Global Fund

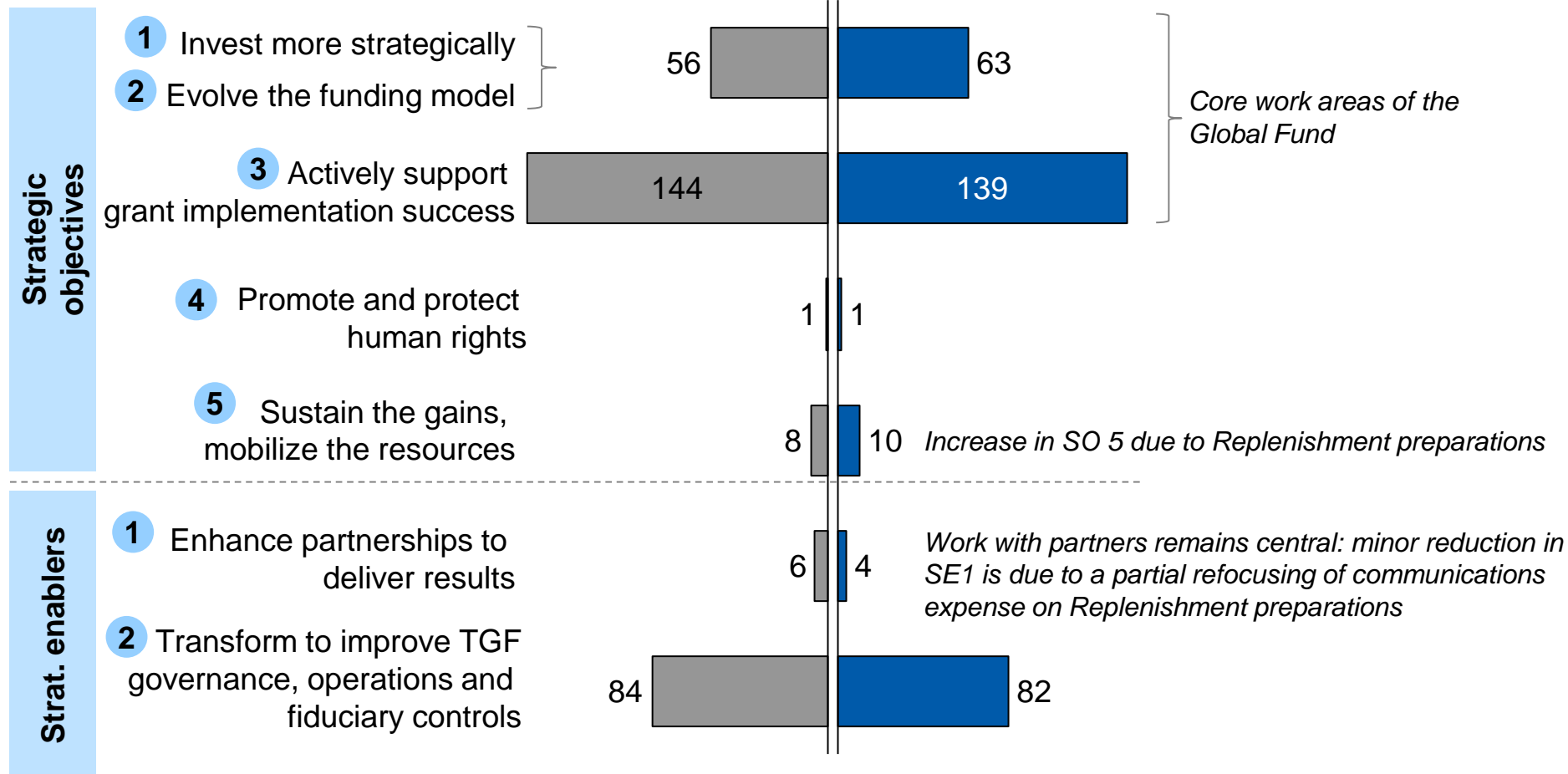
USD millions, rounded

## Allocation of OPEX budget by strategic objective

### Global Fund Strategy

2014

2015



# Global Fund Executive Committee has set 8 priorities for 2015 (1/3)

## Priorities

## Initiatives

1

### Deliver & optimize the funding model

- Full implementation of the grant making and grant signing stages of the funding model
- Differentiation achieved in Access to Funding and grant management procedures
- Results based financing models developed and implemented successfully
- Action and collaboration among gender focused partners catalyzed

2

### Greatly improve results and impact measurement

- Improve communication of results and impact to specific audiences
- New impact and results models provide an agreed approach to Attribution/Contribution

3

### Increase cost-effectiveness & synergies of investments

- Roll out global sourcing strategies for diagnostics & TB medicines
- Develop Supply Chain strategy & E-Marketplace
- Implement the Rapid Supply Mechanism & Revolving Fund
- Implementation of commodity and unit cost benchmarking
- Introduction of portfolio management policies and processes to optimise current allocations
- Targeted improvement in financial management, systems & capability of grant implementers
- Improved coordination & monitoring of TA partnerships
- Develop partnership approach to service integration and RMNCH
- Operationalisation of the Innovation Hub
- Develop a cost effectiveness strategy

# Global Fund Executive Committee has set 8 priorities for 2015 (2/3)

## Priorities

## Initiatives

4

**Implement combined assurance framework**

- Implement the new risk and assurance framework
- Introduce a framework and tools to increase program and data quality assurance
- Enhanced oversight of human rights related risks
- Negotiate and execute agreements on privileges and immunities

5

**Expand scope of work on sustainability**

- Implementation of Domestic Financing strategy
- Development of approach to “Development Continuum” concept

6

**Governance**

- Recommended governance reforms implemented
- Implementation of the ethics and integrity framework

# Global Fund Executive Committee has set 8 priorities for 2015 (3/3)

## Priorities

## Initiatives

7

### Upgrade capabilities and efficiency of TGF resources

- Increase efficiency through integrated and automated IT infrastructure, including: procurement and logistics platform, completion of Salesforce project, data warehousing, HR system, data & analytics
- Improve grant financial analysis, forecasting and reporting capabilities
- Increase alignment and capabilities of staff resources through: optimisation of matrix management, workforce planning, culture development, Talent Management

8

### Prepare for New Strategy & 5th Replenishment

- Develop a targeted communications campaign and prepare activities to support the 5th Replenishment
- Convene the partnership forum and strategy consultation meetings
- Analytical work, consultation and development of the Post-2016 Strategic Review.
- Strategic Review 2015

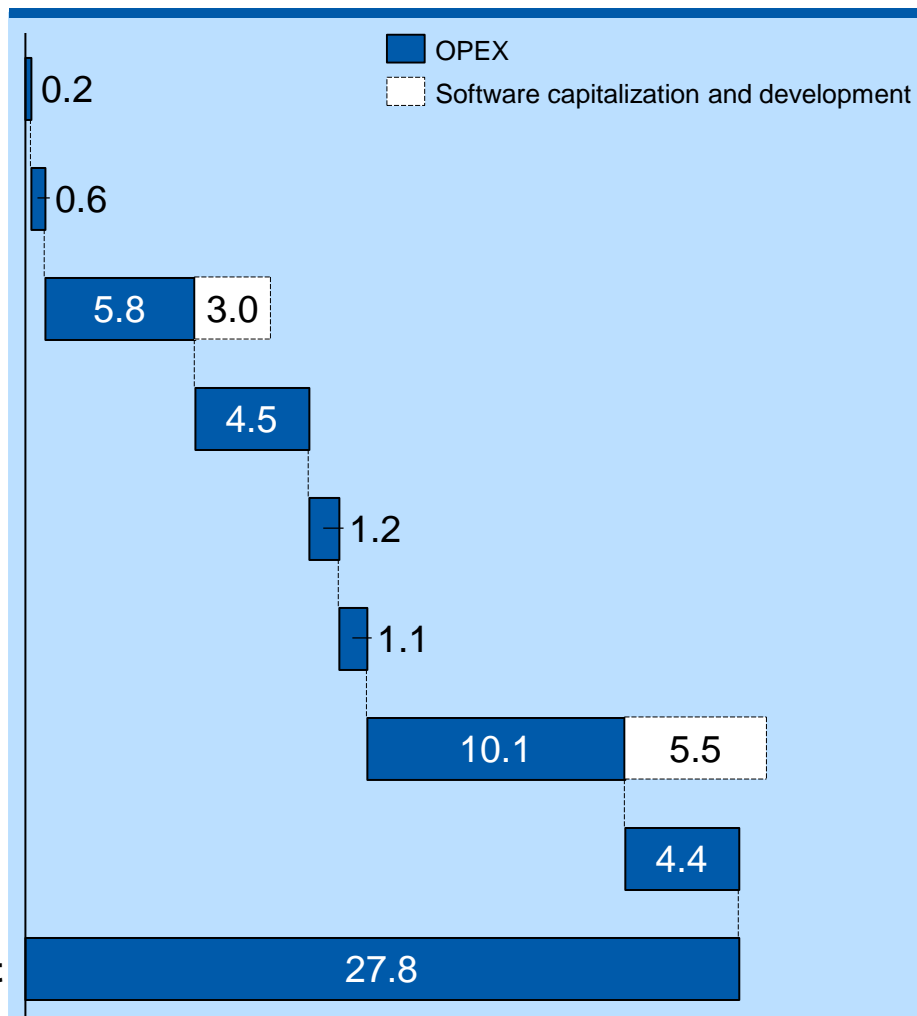


# USD ~28 million will be allocated to projects that directly support the 8 corporate priorities for 2015 approved by the MEC

## 2015 corporate priorities

- 1 Deliver and optimize the funding model
- 2 Greatly improve results and impact measurements
- 3 Increase cost-effectiveness & synergies of investments
- 4 Implement combined risk & assurance framework
- 5 Expand scope of work on sustainability
- 6 Governance
- 7 Upgrade capability and efficiency and Global Fund resources
- 8 Prepare for the new strategy and the 5th replenishment

## 2015 Budget (USD millions)

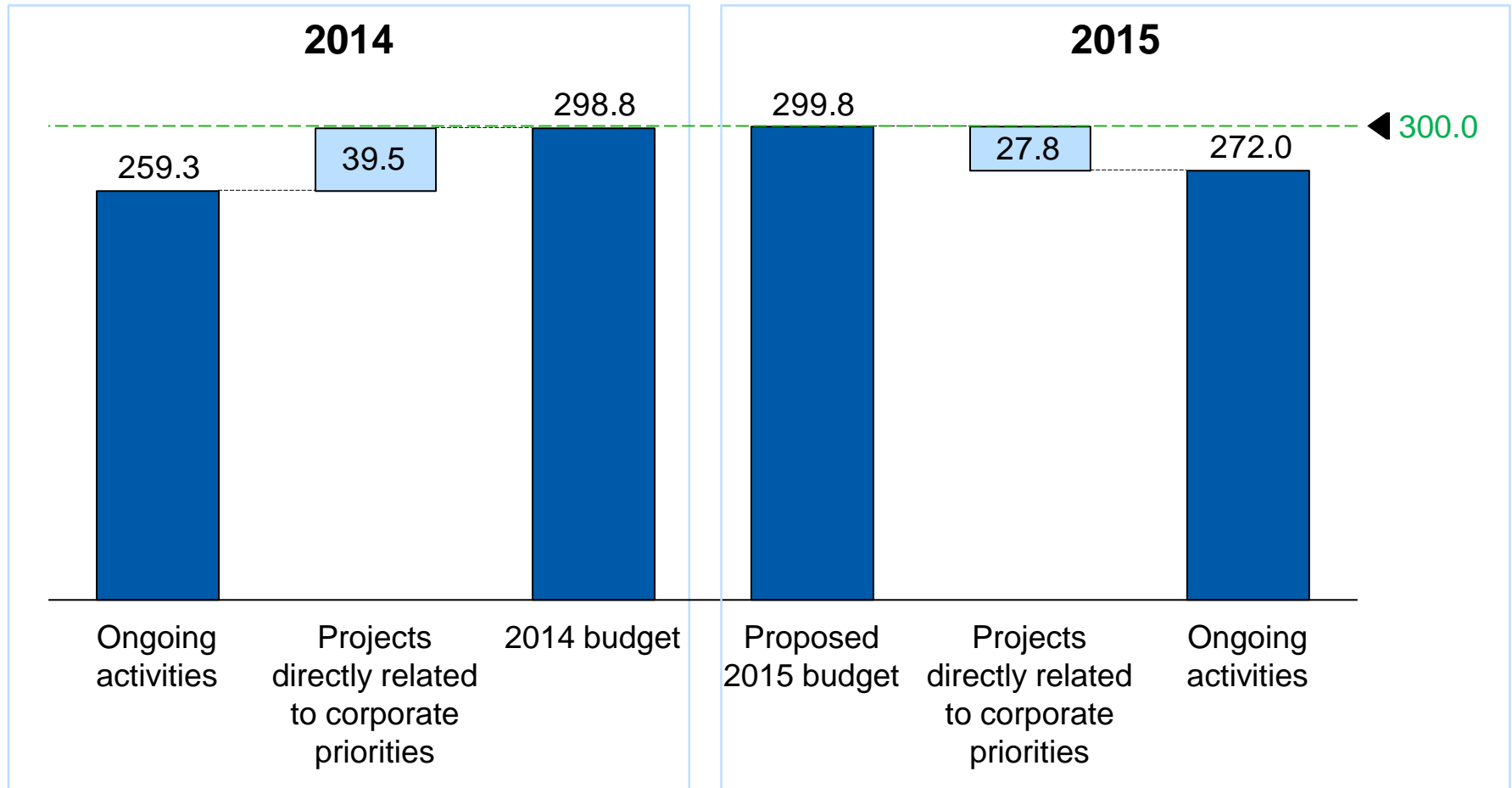


Total 2015 budget

27.8

# In addition to projects directly related to 2015 priorities, the budget will fund necessary ongoing activities

Million USD



# 2015 budget by function

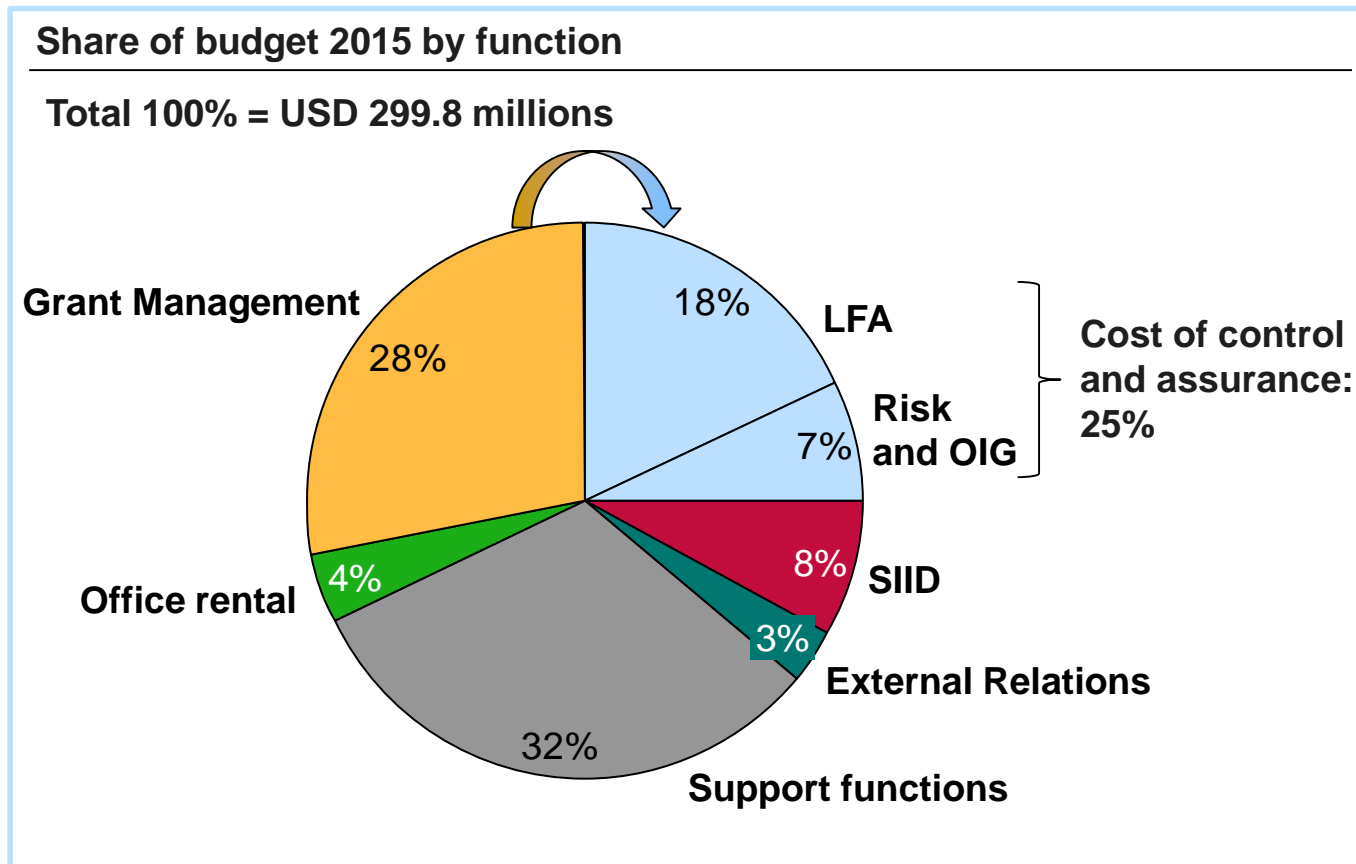
## 2014 F3 Reforecast & 2015 Budget by Division

in kUSD		Variances		Variances		
<i>*All comparatives at Budget 2014 rates</i>						
Division	2014 F3 Reforecast	2015 Budget	2014 F3 Reforecast vs 2014 Budget		2015 Budget vs 2014 F3 Reforecast	
	kUSD	kUSD	kUSD	%	kUSD	%
General Management	3.5	3.9	1.3	62%*	0.4	11%
Operations	172.1	168.7	(2.5)	(2%)	(3.3)	(2%)
Support Functions	96.8	98.0	4.0	4%	1.2	1%
OIG	12.4	16.3	(8.1)	(39%)	3.8	31%
Governance	6.3	7.2	0.6	7%	0.9	14%
<b>Total recurring costs</b>	<b>291.1</b>	<b>294.0</b>	<b>(4.7)</b>	<b>(2%)</b>	<b>2.9</b>	<b>1%</b>
<b>Non-recurring, including HR central reserves</b>	<b>4.5</b>	<b>5.8</b>	<b>1.5</b>		<b>1.3</b>	<b>29%</b>
<b>Total operating costs</b>	<b>295.6</b>	<b>299.8</b>	<b>(3.2)</b>		<b>4.2</b>	<b>1%</b>

\* Mainly driven by the transfer of the Policy Hub from SIID in April 2014.

# Breakdown of 2015 budget by core Global Fund activity

Million USD



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

# Proposed 2015 budget by nature of cost

in kUSD

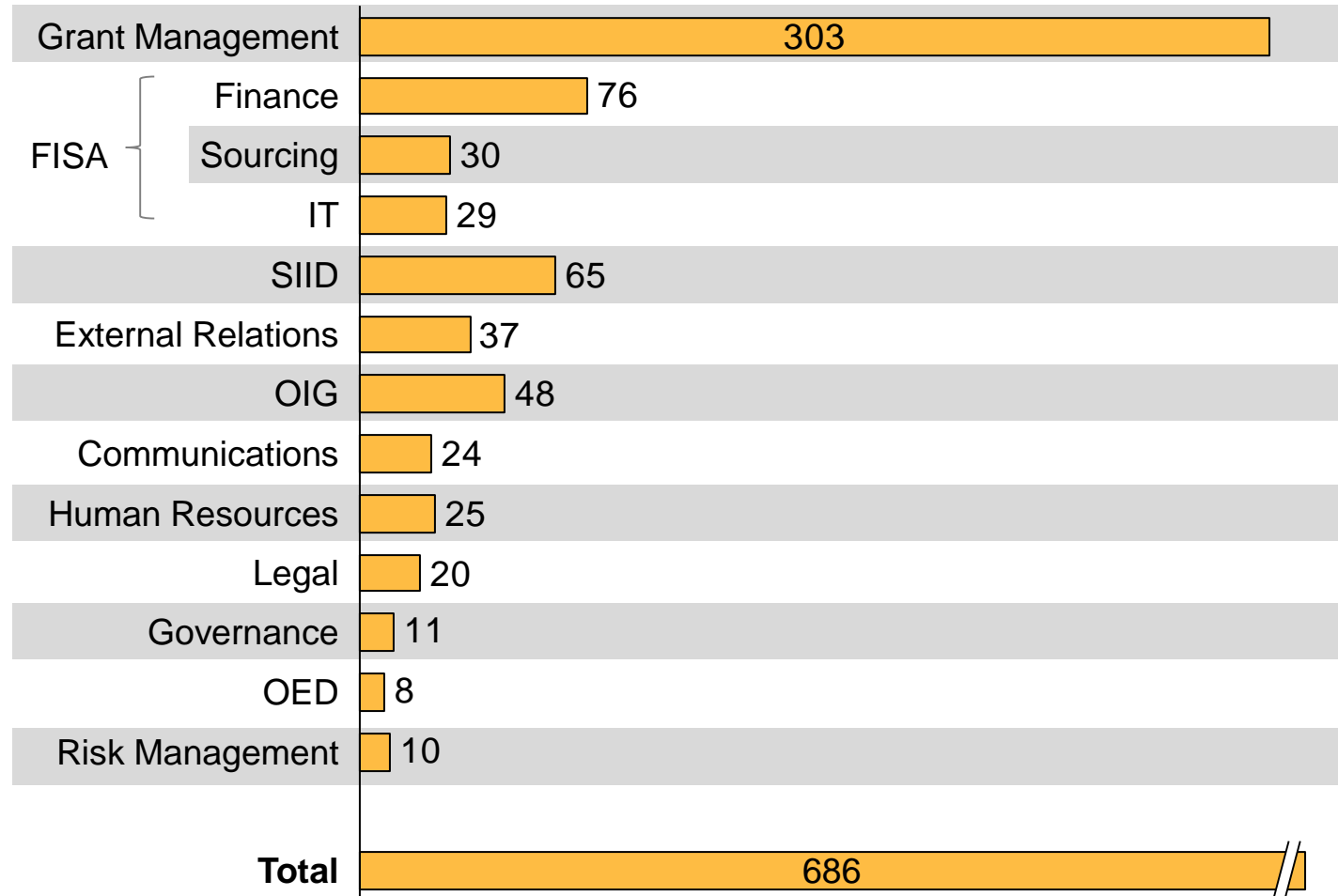
\*All comparatives at Budget 2014 rates

Expense Category	2014 F3 Reforecast	2015 Budget	Variances		Variances	
			F3 2014 vs 2014 Budget		2015 Budget vs 2014 F3 Reforecast	
		kUSD	kUSD	%	kUSD	%
<b>LFA costs</b>	<b>55,690</b>	<b>54,000</b>	<b>(4,310)</b>	<b>(7%)</b>	<b>(1,690)</b>	<b>(3%)</b>
<b>CCM Costs</b>	<b>8,706</b>	<b>9,500</b>	<b>1,106</b>	<b>15%</b>	<b>794</b>	<b>9%</b>
<b>Costs Secretariat</b>	<b>226,668</b>	<b>237,697</b>	<b>(2,232)</b>	<b>(1%)</b>	<b>11,029</b>	<b>5%</b>
Staff	129,900	142,983	2,867	2%	13,083	10%*
Professional fees	45,595	38,385	(227)	(0%)	(7,210)	(16%)
Travel	20,268	22,961	(1,192)	(6%)	2,693	13%
Meetings	2,949	3,087	(911)	(24%)	138	5%
Communications	1,938	1,445	(749)	(28%)	(493)	(25%)
Board Constituency	1,000	1,000	(0)	(0%)	0	0%
Office Infrastructure	22,399	23,910	(942)	(4%)	1,511	7%
Depreciation	3,814	3,926	117	3%	112	3%
External Co-Funding	(1,196)	0	(1,196)		1,196	(100%)
<b>Total recurring costs</b>	<b>291,064</b>	<b>301,197</b>	<b>(5,436)</b>	<b>(2%)</b>	<b>10,133</b>	<b>3%</b>
<b>Non-recurring</b>	<b>4,528</b>	<b>(1,373)</b>	<b>1,528</b>		<b>(5,901)</b>	
<b>Total operating costs</b>	<b>295,592</b>	<b>299,825</b>	<b>(3,908)</b>		<b>4,232</b>	

\* Includes full impact of previous year's hiring, insurance and salary adjustments, as well as net impact of 2015 headcount additions

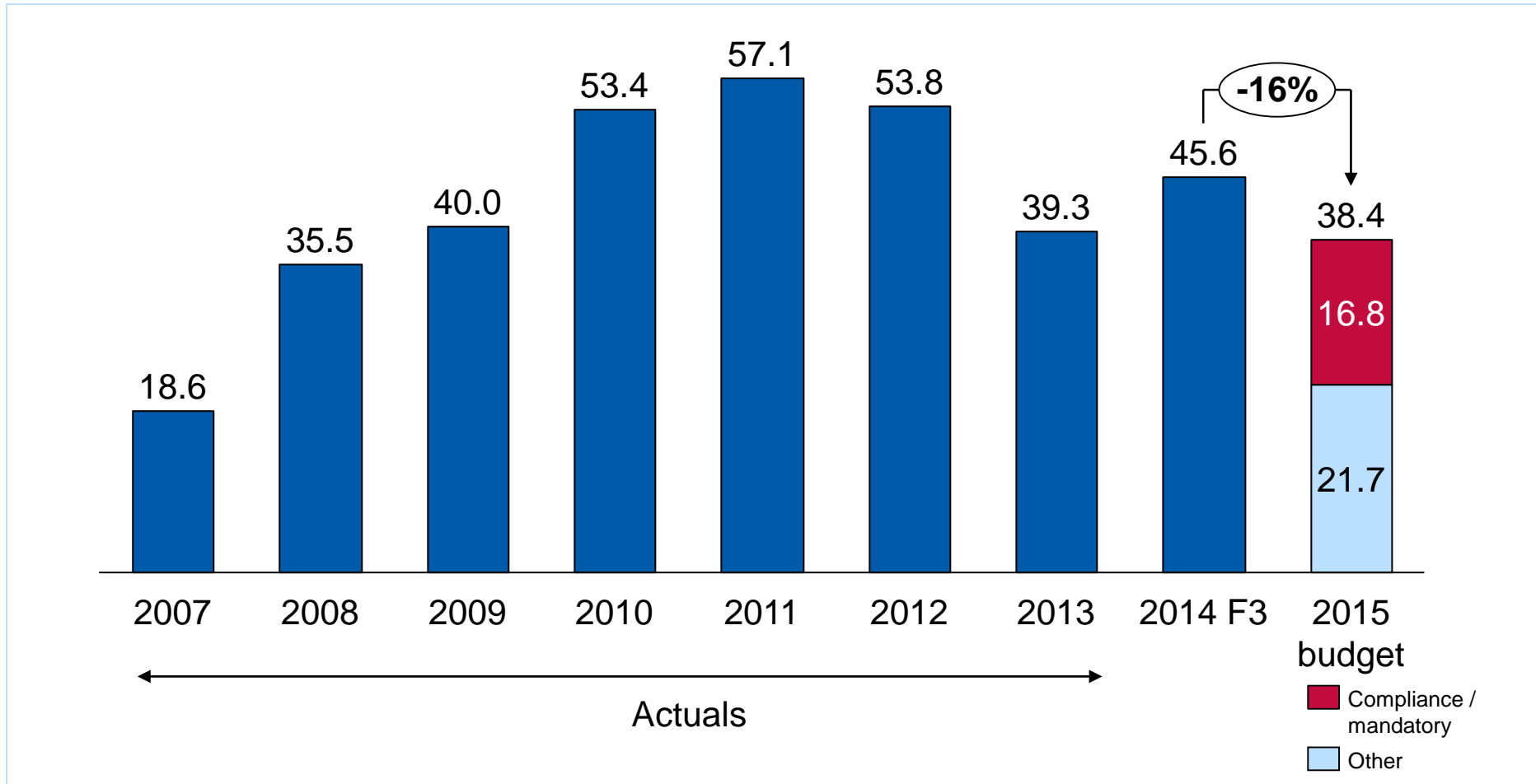
# Zoom on staff costs – Overall, headcount remains stable

Headcount, 2015 budget

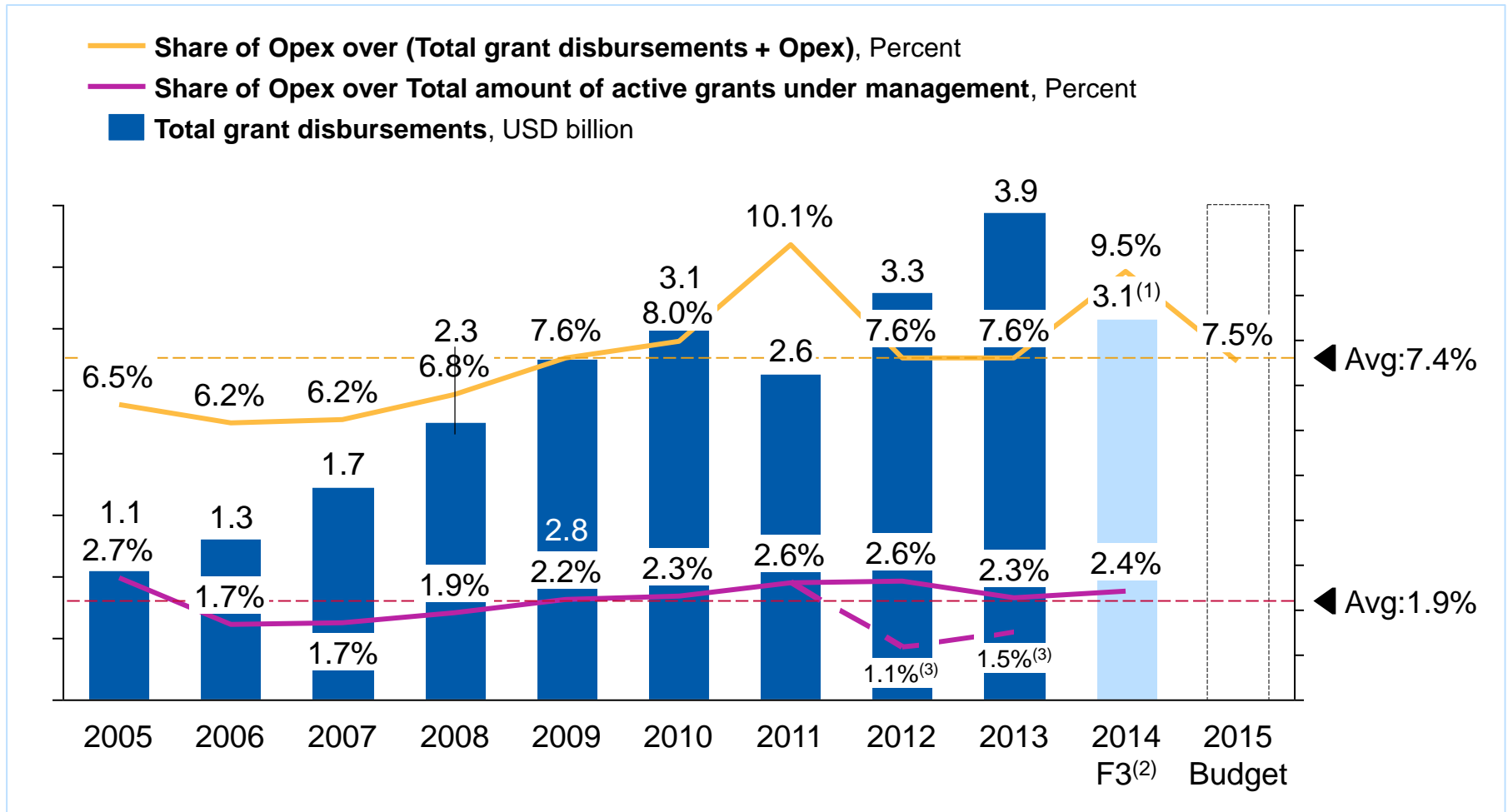


# Zoom on professional fees – Historical view

USD millions



# Compared to 2014, 2015 efficiency ratios improve as a result of increasing disbursements while OPEX remains stable



1 Decrease in disbursements due to initial steps of cash management

2 Approach for 2014 ratios: F3 forecast of 2014 total disbursements; F3 forecast of OPEX; snapshot of grants under management at 21/10/2014

3 Dotted line reflects figures shown to the FOPC in December 2013, which were adjusted to enable meaningful comparison against comparable organizations during the benchmarking exercise



# **Decision Point**

## ***GF/B32/DP03: 2015 Corporate Work Plan and Budget Narrative and Operating Expenses Budget***

- 1. Based on the recommendation of the Finance and Operational Performance Committee (the “FOPC”), the Board approves the following:***
  - a. Corporate Work Plan and Budget Narrative 2015, as set forth in GF/B32/04; and***
  - b. 2015 Operating Expenses Budget in the amount of USD 299.8 million, as set forth in GF/B32/03 (the “2015 OPEX Budget”), which includes USD 16.4 million for the Office of the Inspector General’s 2015 operating expenses based on the recommendation of the Audit and Ethics Committee.***
- 2. As previously decided by the Board (GF/B22/DP18), the Secretariat will manage the 2015 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.***