

34th Board Meeting

Opex: 2015 F3 Reforecast and 2016 Budget

For Board decision

GF/B34/14

Geneva, Switzerland

16-17 November 2015

Content Overview

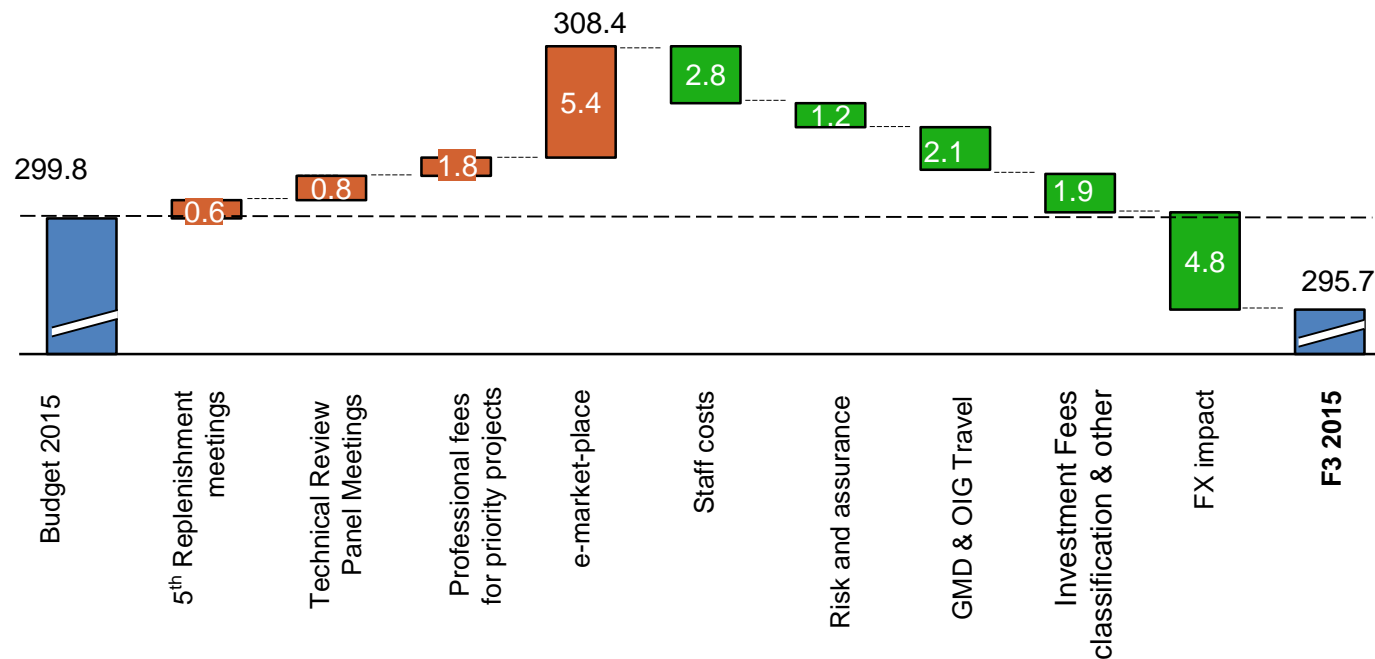
- 1 F3 2015 Reforecast
- 2 Budget 2016

Content Overview

1 F3 2015 Reforecast

F3 2015 Reforecast – Summary

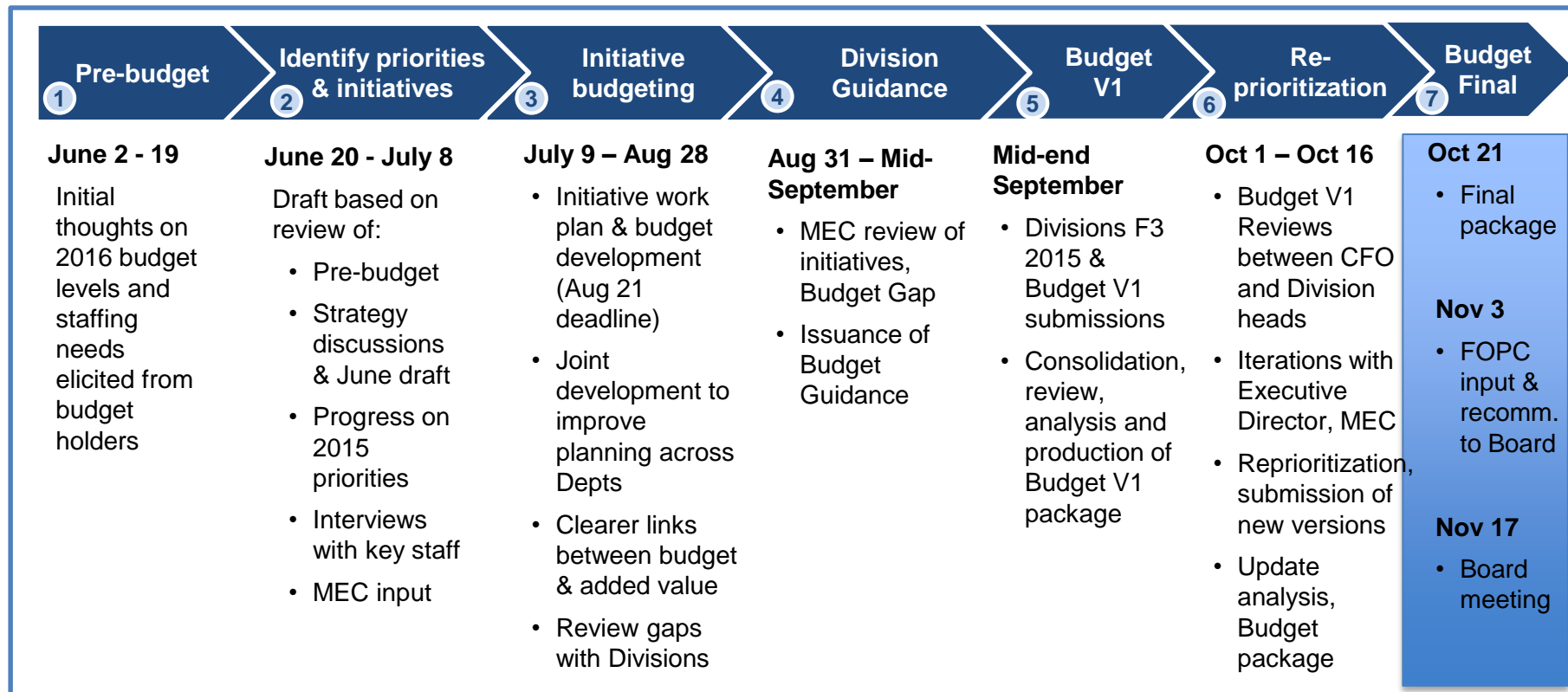
vs Budget, in USD at Budget rates



Content Overview

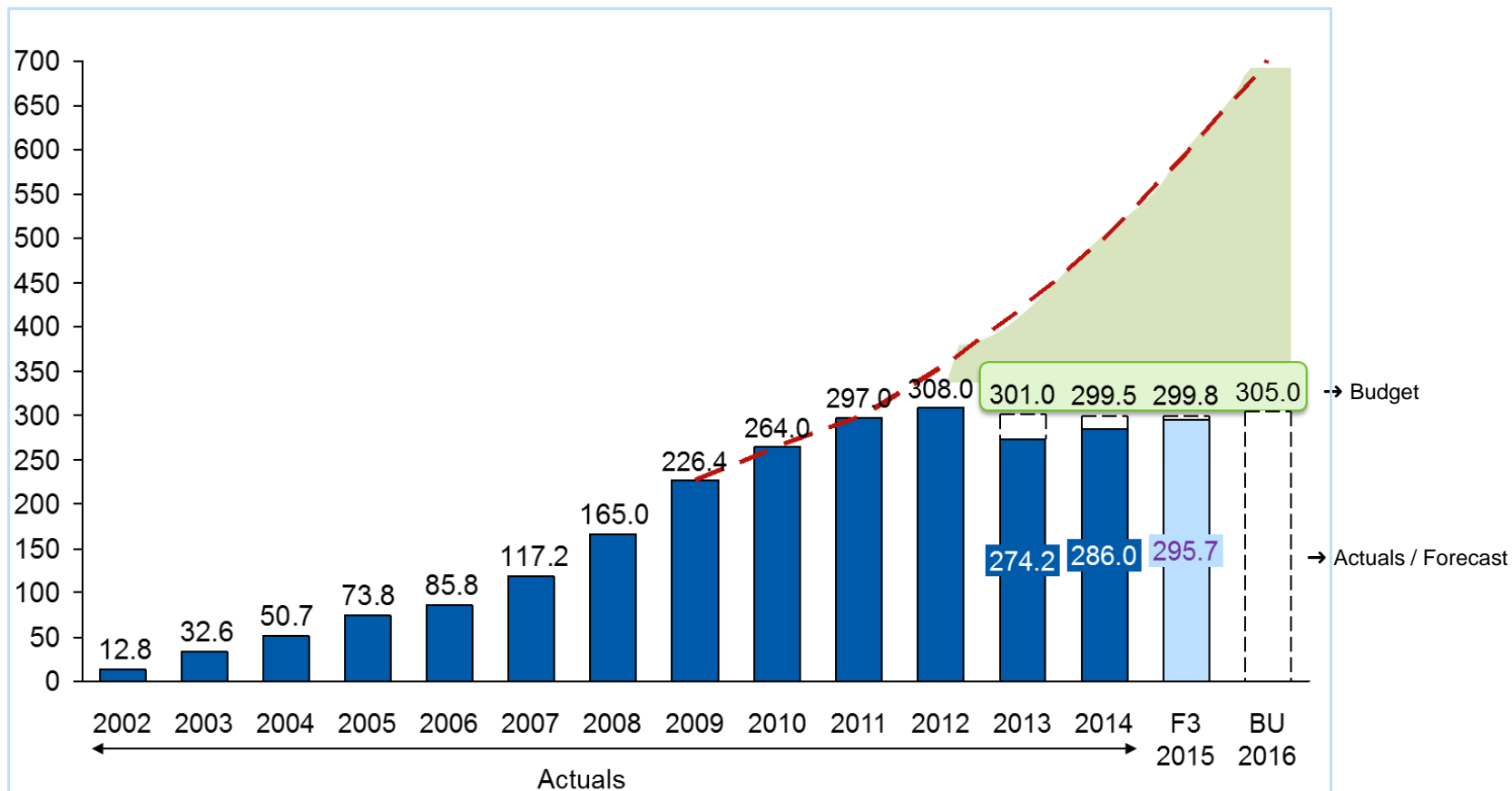
2 Budget 2016

2016 Budget process

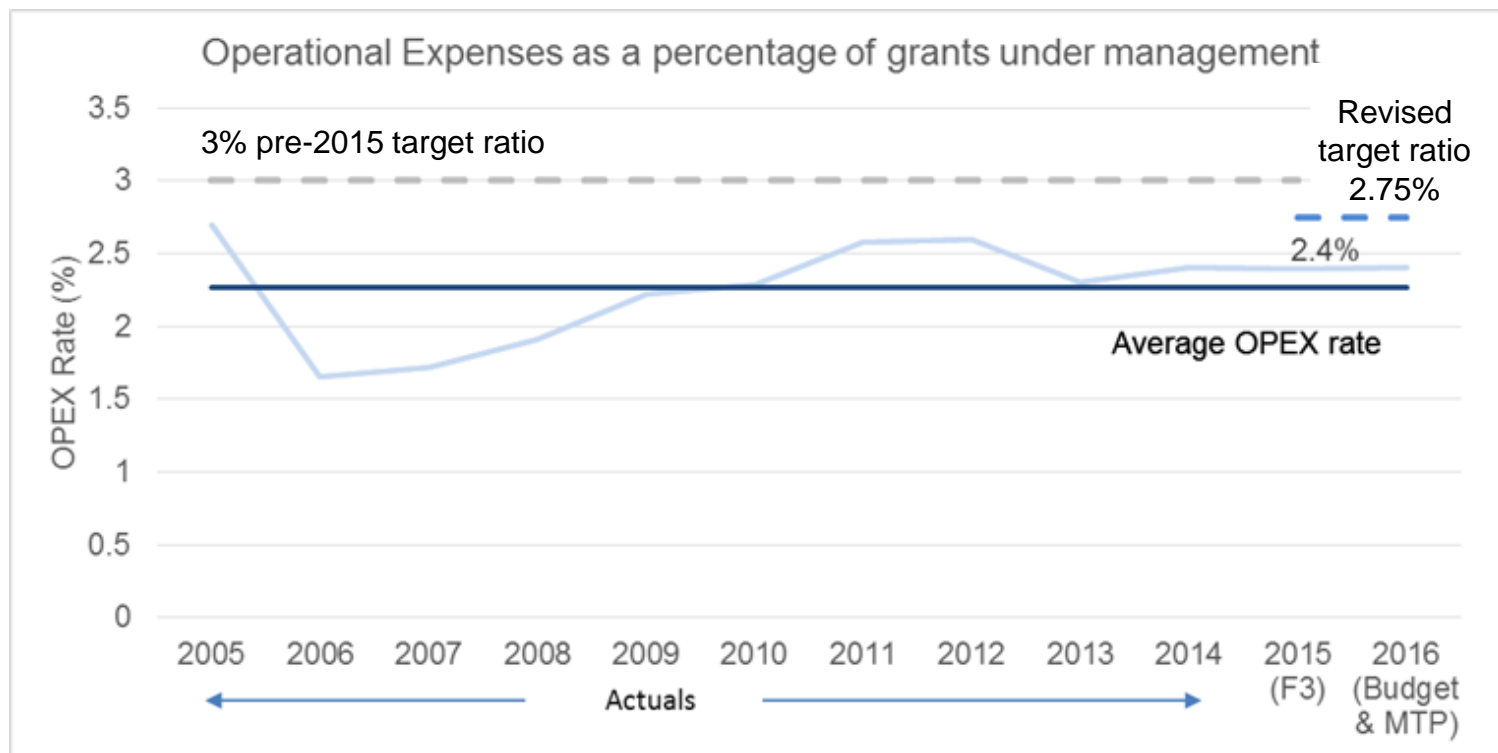


Development of operational expenses of the Global Fund

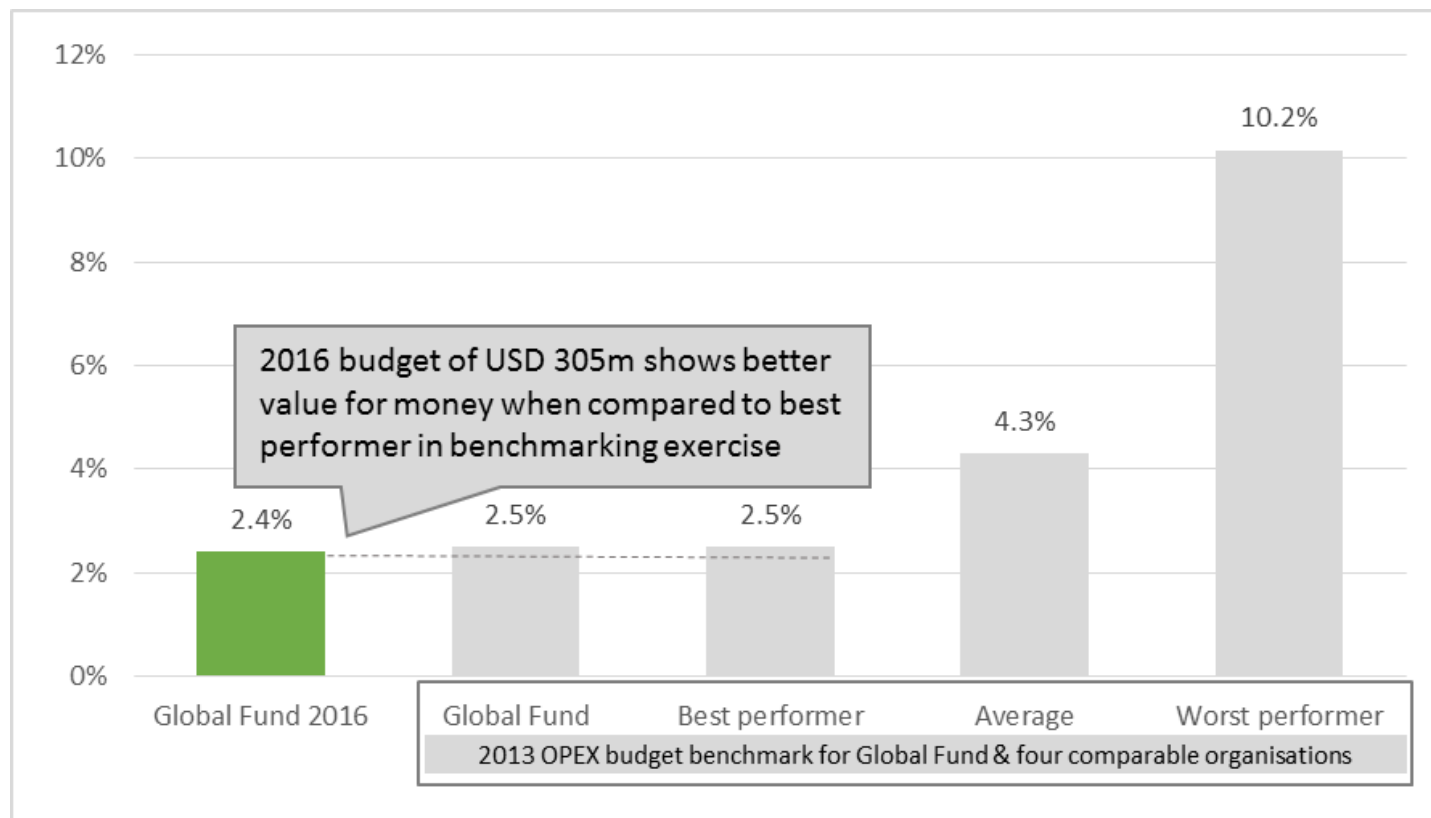
USD Millions



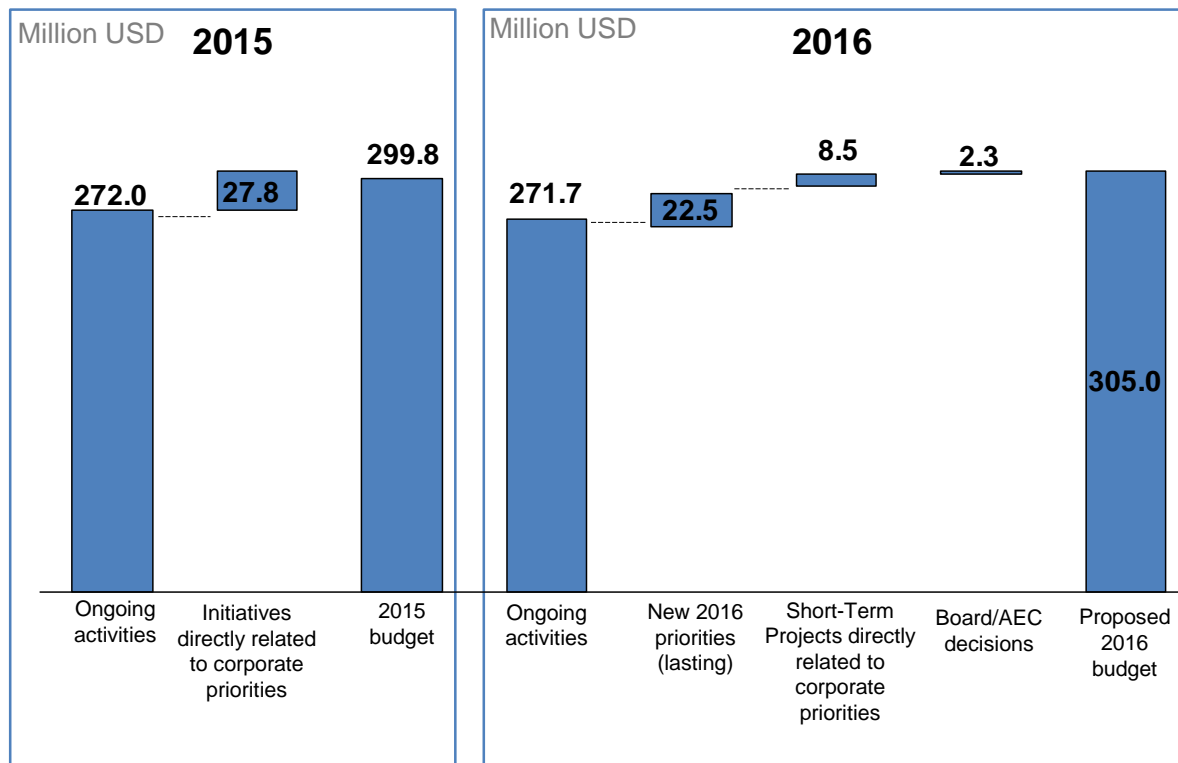
Stabilization of budget requirements seen since 2013 maintained in 2016



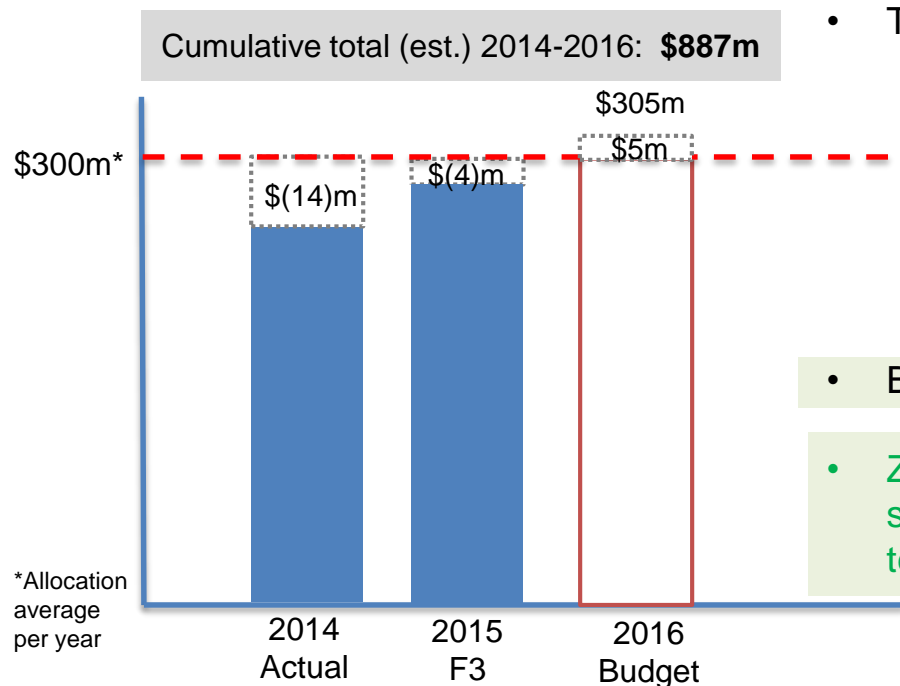
Global Fund budget ratios continue to perform well against comparable organisations



The 2016 Budget funds corporate priorities, additional governance costs from Board/AEC decisions and ongoing recurring activities



Underspending by Secretariat in 2014 and 2015 has created flexibility to invest in critical projects in 2016 while remaining within the 2014-2016 opex allocation of 900M\$



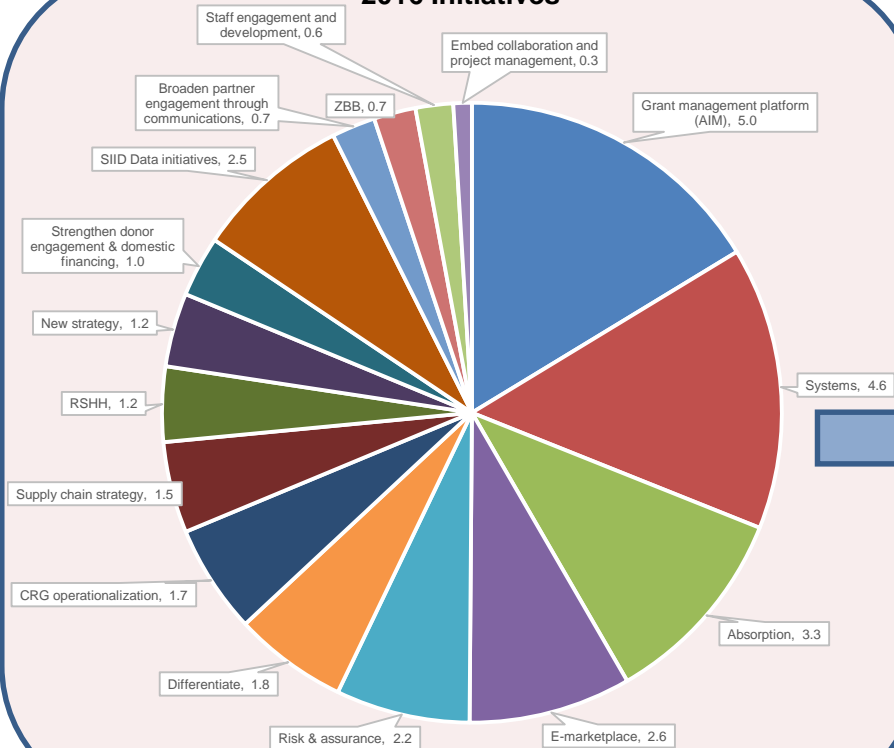
- The incremental budget will fund
 - Significant investments in priority initiatives requiring additional resources:
 - Accelerated Integration Management
 - Risk and assurance
 - ZBB, Staff engagement & development
 - Incremental requirements driven and approved by Governance bodies
- Budget remains within headroom from \$900m allocation

- Zero-based budgeting in 2016 will ensure costs remain at a sustainable level for next allocation. Methodology is being tested with 4 pilot teams in 2015.

Budget 2016 Initiatives

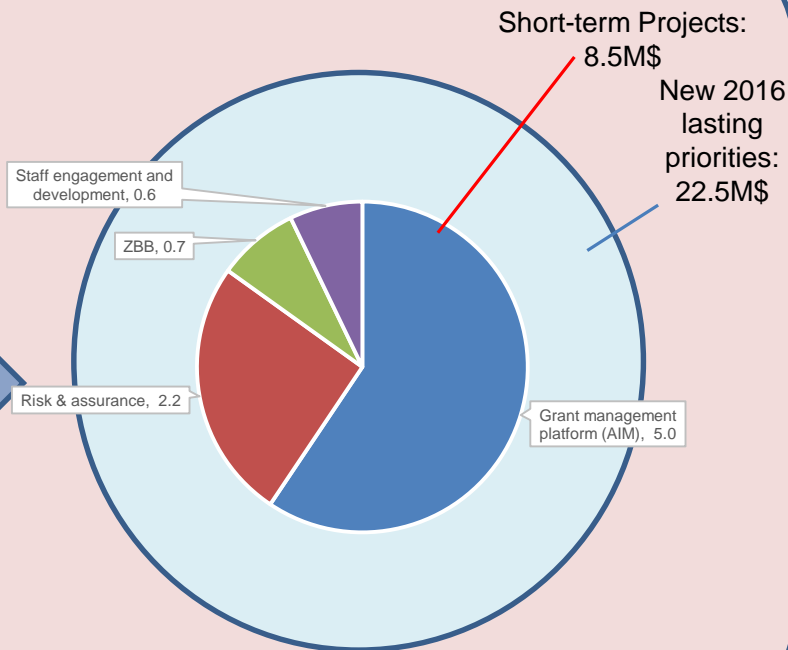
Total Initiatives: ~31M\$

2016 Initiatives



Total Initiatives: ~31M\$

2016 Short-term Projects vs New 2016 lasting priorities

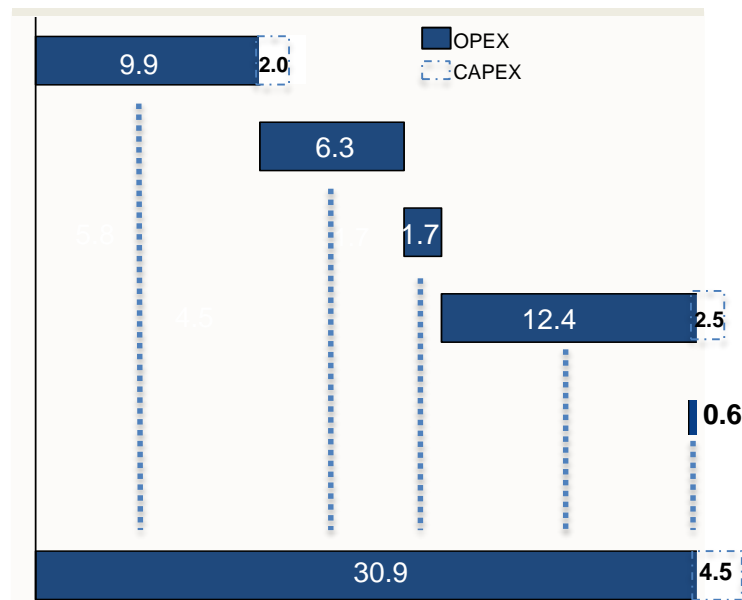


USD ~31 million will be allocated to projects that directly support the 5 corporate priorities for 2016 approved by the MEC

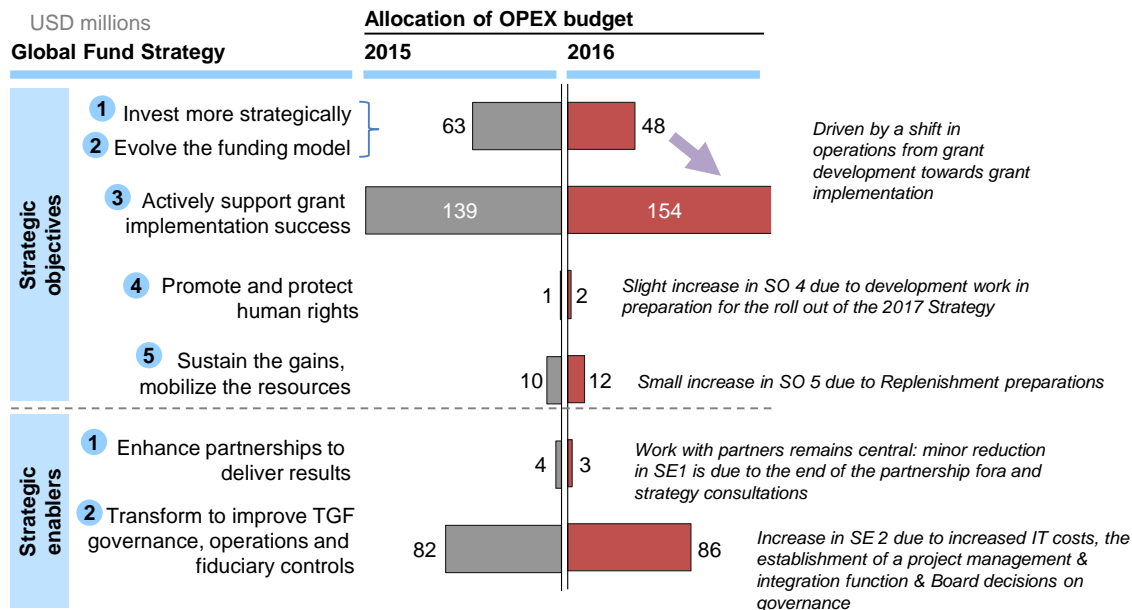
2016 corporate priorities

- 1 Optimize funding implementation for maximum impact
- 2 Develop and Implement the Global Fund strategy
- 3 Engineer a successful replenishment
- 4 Improve data and systems
- 5 Staff engagement and development

2016 Budget (USD millions)



2016 budget continues to be well aligned with the lifecycle of the grant portfolio and strategic needs



2016 budget by function

Division			Variances		Variances	
	F3 2015 @ spot rate	2016 Budget	F3 2015 vs 2015 Budget		2016 Budget vs F3 2015	
	kUSD	kUSD	kUSD	%	kUSD	%
General Management *	4,355	4,777	436	11%	421	10%
Operations	169,524	172,465	(340)	(0%)	2,941	2%
Support Functions	98,070	99,976	(682)	(1%)	1,907	2%
OIG	15,217	16,316	(1,221)	(7%)	1,099	7%
Governance	6,715	6,642	(475)	(7%)	(73)	(1%)
Total recurring costs	293,881	300,177	(2,282)	(1%)	6,296	2%
Non-recurring costs †	1,785	4,812	(1,872)	(51%)	3,027	170%
Total operating costs	295,666	304,989	(4,155)	(1%)	9,323	3%

* Increase in General management in F3 2015 related amongst other to Ombudsman and Board appeal transferred from HR, increase in Budget 2016 related to Ethics Office

† Non-recurring costs represent HR costs (such as maternity, sickness cover etc..) not attributed to divisions and other "one-off" items such as restructuring costs and provision releases. The lower costs in 2015 reflect a one-off provision release for LFA costs.

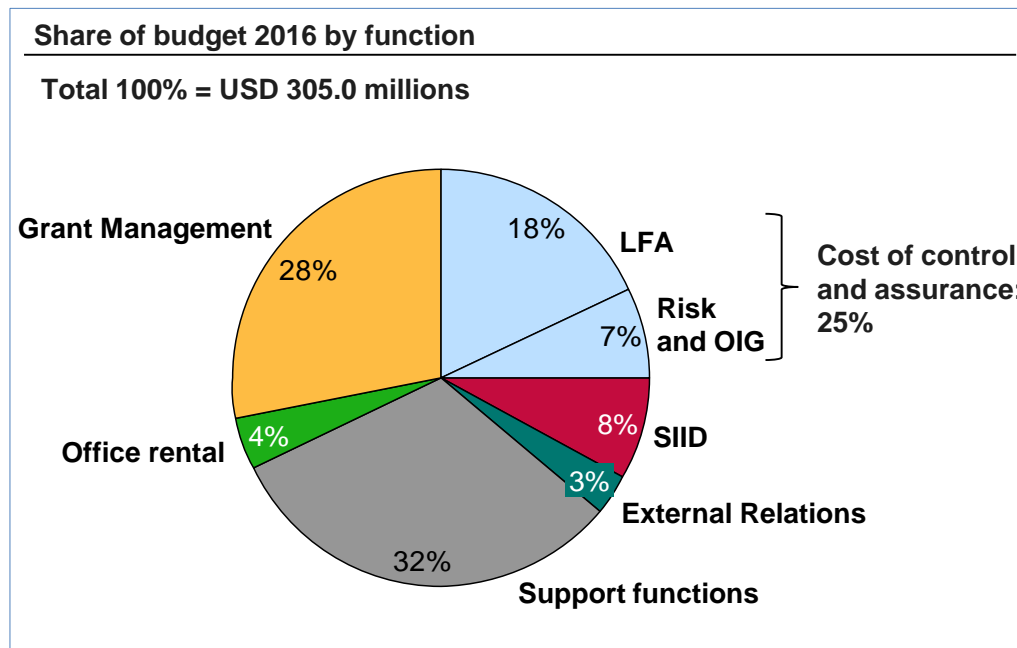
Proposed 2016 budget by nature of cost

Nature			Variances	
	F3 2015 @ spot rate	2016 Budget	2016 Budget vs F3 2015	
	kUSD	kUSD	kUSD	%
LFA costs	54,000	55,000	1,000	2%
CCM Costs	9,500	9,500	0	0%
Costs Secretariat	230,381	235,677	5,296	2%
Staff	132,234	140,979	8,745	7%
Professional fees	43,815	39,241	(4,574)	(10%)
Travel	21,033	20,274	(759)	(4%)
Meetings	3,502	3,634	132	4%
Communications	1,504	2,270	766	51%
Office Infrastructure	23,735	25,668	1,933	8%
Board Constituency	1,000	1,000	0	0%
Depreciation	3,999	6,004	2,004	50%
External Co-Funding	(441)	(3,393)	(2,952)	670%
Total recurring costs	293,881	300,177	6,296	2%
Non-recurring costs[†]	1,785	4,812	3,027	170%
Total operating costs	295,666	304,989	9,323	3%

[†] Non-recurring costs represent HR costs (such as maternity, sickness cover etc..) not attributed to divisions and other "one-off" items such as restructuring costs and provision releases. The lower costs in 2015 reflect a one-off provision release for LFA costs.

Breakdown of 2016 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 Central reserves (HR); it excludes the Risk department

Decision Point (Slide 1 of 2)

GF/B34/DP05: 2016 Corporate Work Plan 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 2016, as set forth in GF/B34/13; and***
 - b. 2016 Operating Expenses Budget up to the amount of USD 305.0 million, as set forth in GF/B34/14 (the “2016 OPEX Budget”), which includes USD 16.3 million for the Office of the Inspector General’s 2016 operating expenses based on the recommendation of the Audit and Ethics Committee.***

Decision Point (Slide 2 of 2)

2. ***The Board requests the Secretariat to include in its periodic reporting to the FOPC on budget matters:***
 - a. ***The foreign-exchange impact on the 2016 OPEX Budget, as requested by the Board in 2010 (GF/B22/DP18), tracked against budget rate;***
 - b. ***Budgetary variations by type of expenses; and***
 - c. ***Progress updates on the priority projects and activities outlined in the 2016 OPEX Budget.***
3. ***The Board notes operating expenses over the 2014 – 2016 period, including the 2016 OPEX Budget, remain within the USD 900 million reserved for operating expenses at the time the Board approved the resources available for allocation over the 2014 – 2016 period.***