

# Operating Expenses Budget 2013

# 2013 Global Fund Operating Expenses

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- Three major objectives:
  - Ensure progressive alignment with transformation steps and new strategy;
  - Invest in / Strengthen areas of significant weakness in the organization and processes of the Global Fund;
  - Create for the first time an inflection in continuously increasing Opex since the Global Fund's creation.

# Key considerations of the planning process

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- Numerous parameter changes create difficult comparability in most Opex and headcount developments over the period;
- Disruptions created during the 2012 restructuring effects have led to significant delays in staffing, projects, in particular IT and travel;
- Process aimed at establishing tighter monitoring of operating expenses vs budget as opposed to loose framework in past years;
- Interactive steps of preparations have led to significant adjustments compared to preliminary submissions ; some will require major action plans for completion:

# Key considerations of the planning process contd.

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- Outline by key functions: governance, operations, support functions and OIG;
- Focus on recurring operating expenses (vs one time costs: \$30,9 mio in 2012, \$4,0 mio in 2013 budget);
- Finance Division will initiate before year end and in following years a full grant budget review representing 90% of the Fund's financial flows!
- Budget rate 2013 of CHF 1 = US\$ 1,06 : data in real terms

# Budget highlights

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1. TGF will generate 2012 Opex (F3 forecast) clearly below (-12%) the approved 2012 budget;
2. Numerous restructuring “disruptions” in 2012, require a view of a “normalized” year for comparative purposes;
3. After a compound increase of 28% p.a. since the Fund’s creation and of 11% over the past 3 years, the 2013 budget for the first time targets a reduction of 5% vs. 2012 normalized;

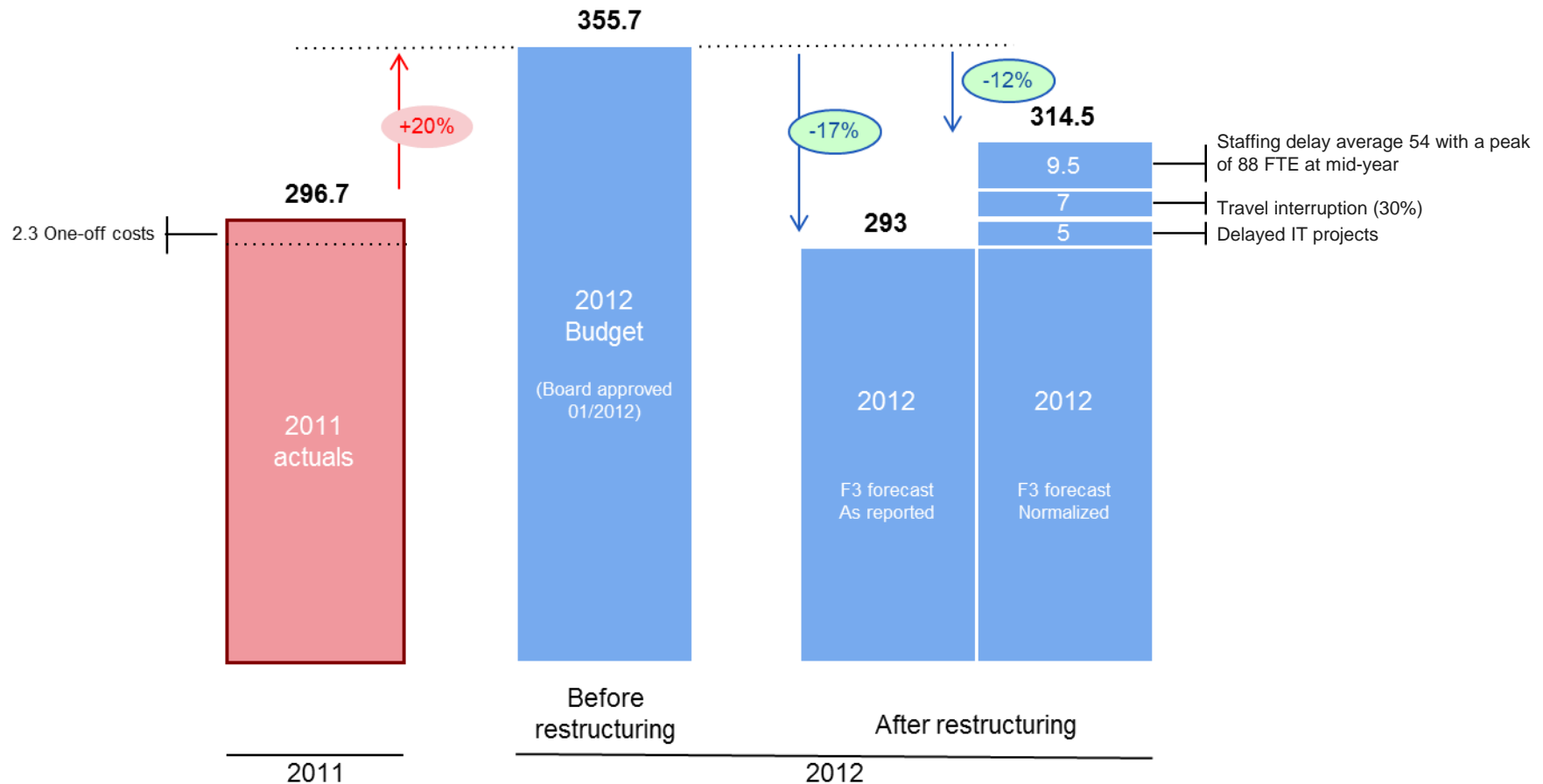
## Budget highlights contd.

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4. Some initial proactive steps will lead to reconsidering of management mandates and interactions with local teams:
  - LFA's budget require an action plan to materialize a reduction of US\$ 20 mio in 2013 vs. 2012
  - Professional fees reduced by more than US\$ 6 mio vs. original submissions
  - Intensity of presence in countries = CCM, travel....
5. Framework ratios to reach:
  - Total Opex/Total expenditure:  
(F3 2012 normalized) = 10%                      Budget 2013 = 7,9%
  - Grant Commitments/Secretariat employees:  
(F3 2012 normalized)=US\$ 5 mio, Budget 2013=US\$ 6 mio
6. Finance will initiate structured benchmarking of the Global Fund's cost base in 2013

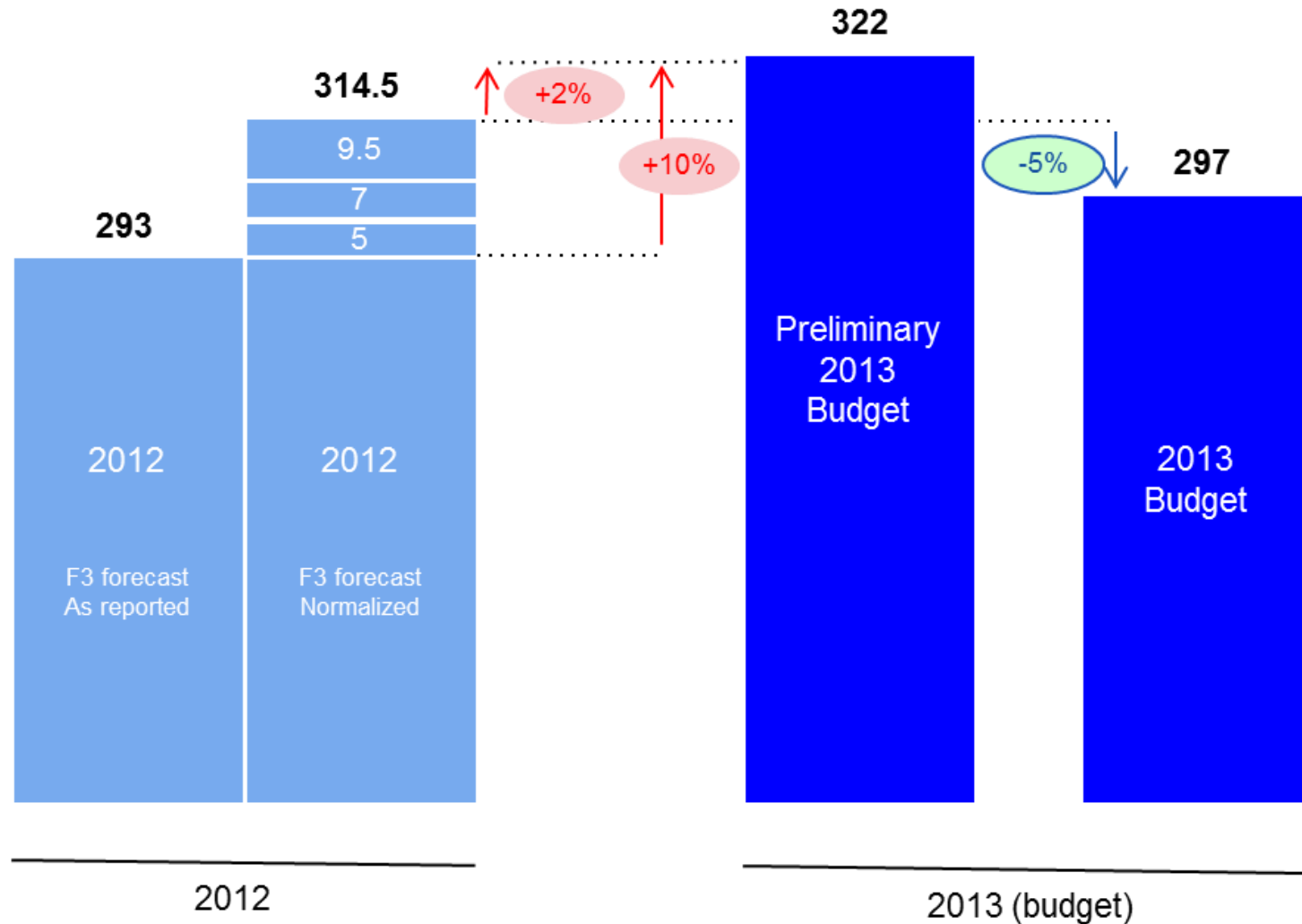
## Opex Budget Development 2011 - 2013

# Operating Expenses Development 2011-2012



## Opex Budget Development 2011 - 2013

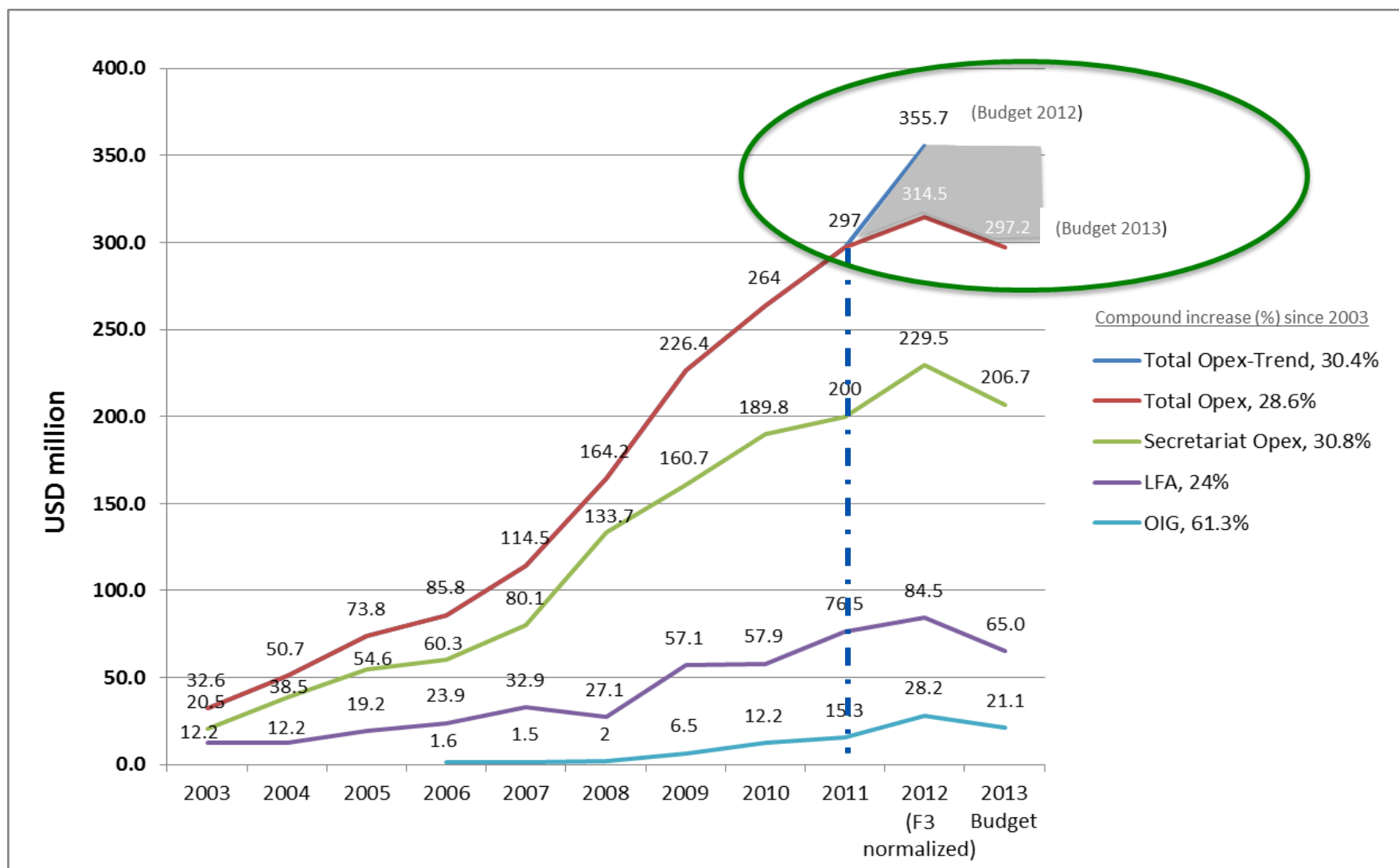
# Operating Expenses Development 2011-2012





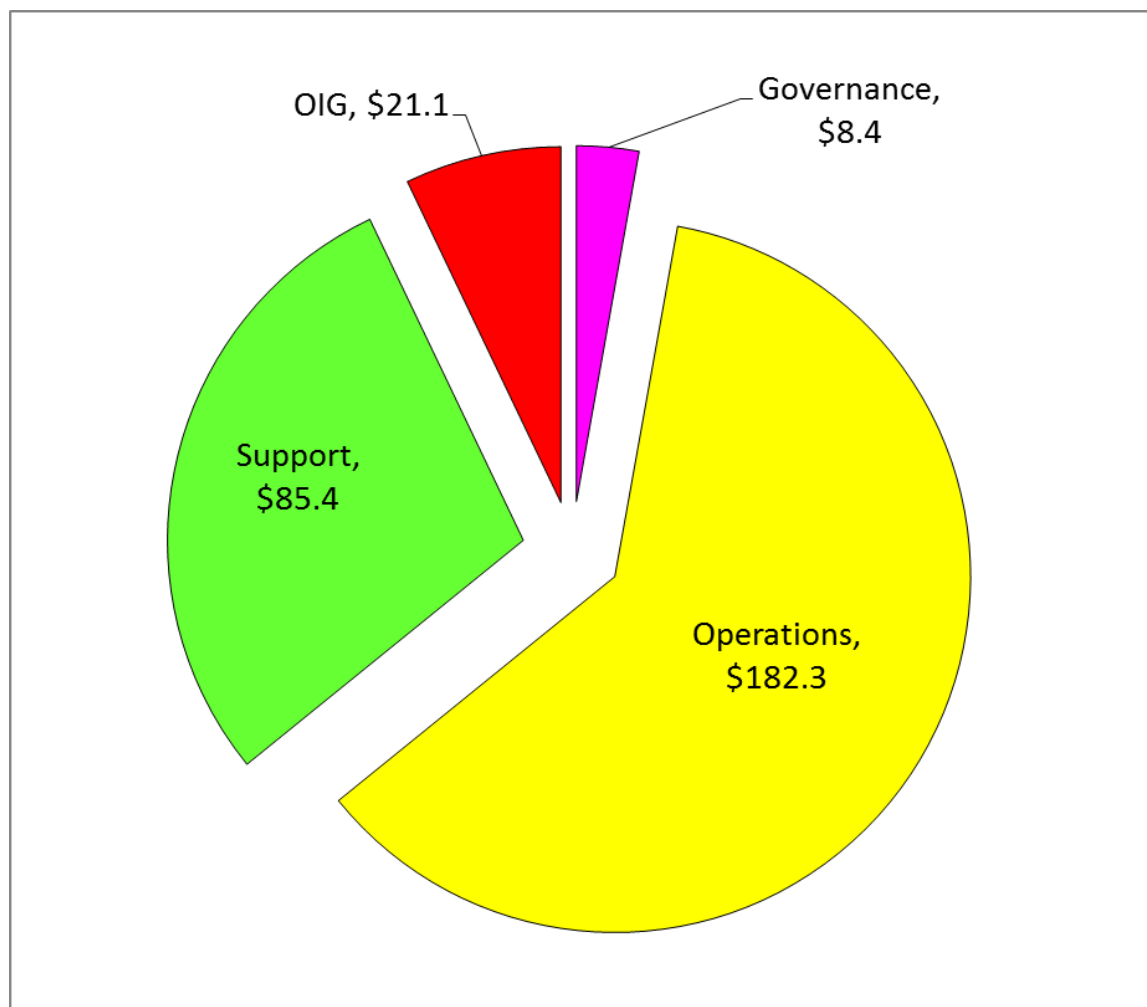
## Opex Budget Development 2011 - 2013

# Actuals 2003 to 2012 plus Budget 2013



## Opex Budget Structure 2013

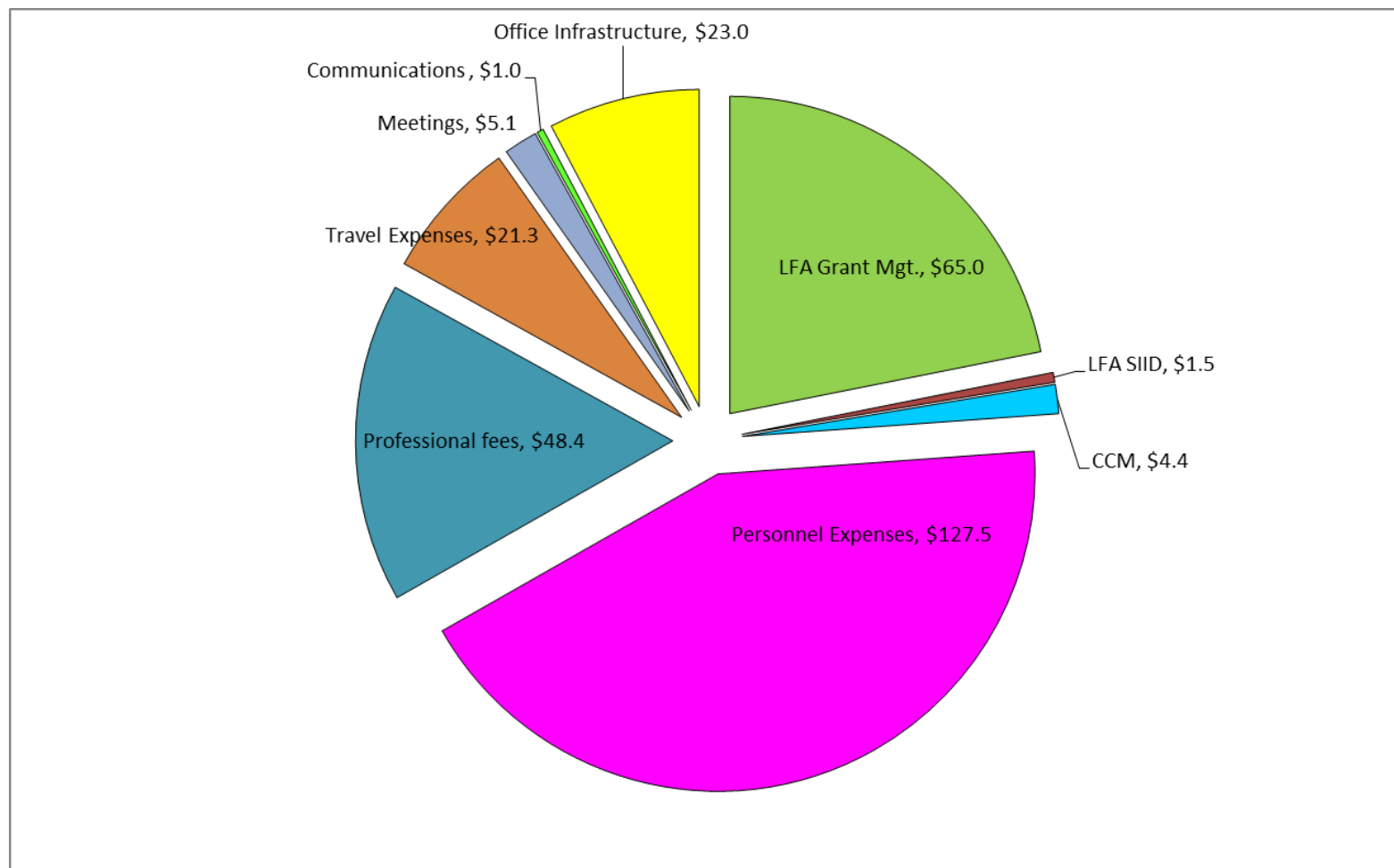
# Overview Recurring Costs by Division in USD million



**Total Recurring costs Budget 2013 US\$ 297.2m**

# Opex Budget Structure 2013

## Overview Recurring Costs by Expense type in USD million



**Total Recurring costs Budget 2013 US\$ 297.2m**

# Opex Budget Development 2011 - 2013

## Overview All Costs

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
Governance	8.3	9.7	10.2	8.4	1%	-18%
Operations	188.3	217.2	197.4	182.3	-3%	-8%
Support	82.6	85.9	78.6	85.4	3%	9%
OIG	15.1	28.2	28.2	21.1	40%	-25%
<b>Recurring costs Total</b>	<b>294.4</b>	<b>341.0</b>	<b>314.4</b>	<b>297.2</b>	<b>1%</b>	<b>-5%</b>
Total non-recurring Costs:	2.3	14.8	30.9	4.0	74%	-87%
<b>Total Costs</b>	<b>296.7</b>	<b>355.8</b>	<b>345.3</b>	<b>301.2</b>	<b>2%</b>	<b>-13%</b>

# Opex Budget Development 2011 - 2013

## Operations

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
SIID	31.2	30.3	31.9	32.5	4%	2%
Resource Mobilization	18.7	16.5	10.2	9.6	-48%	-6%
Grant Management	58.2	73.7	69.4	70.7	21%	2%
LFA	75.1	83.1	81.9	65.0	-13%	-21%
CCM	5.2	13.5	4.0	4.4	-16%	10%
<b>Operations Total</b>	<b>188.3</b>	<b>217.2</b>	<b>197.4</b>	<b>182.3</b>	<b>-3%</b>	<b>-8%</b>

# Opex Budget Development 2011 - 2013

## Governance

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
Office of ED/DED	4.2	4.7	2.9	2.6	-39%	-13%
Governance Team	3.4	4.1	5.9	4.5	32%	-25%
Chair & Vice Chair of the Board	0.7	0.9	1.4	1.4	85%	0%
<b>Governance Total</b>	<b>8.3</b>	<b>9.7</b>	<b>10.2</b>	<b>8.4</b>	<b>1%</b>	<b>-18%</b>

## Opex Budget Development 2011 - 2013

# Support Functions

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
Communications	9.3	9.7	9.1	9.0	-3%	-1%
HR	8.9	9.0	7.4	7.7	-14%	4%
Legal & Compliance	4.6	5.2	4.9	5.0	9%	2%
Risk	0.0	0.0	0.3	1.0	n/a	n/a
Finance, IT	39.1	42.1	39.1	43.0	10%	10%
Administration & Procurement	20.8	19.9	17.8	19.8	-5%	11%
<b>Support Functions Total</b>	<b>82.6</b>	<b>85.9</b>	<b>78.6</b>	<b>85.4</b>	<b>3%</b>	<b>9%</b>

# Opex Budget Development 2011 - 2013

## Non-recurring Costs

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
Group	0.6	13.0	0.0	0.0	n/a	n/a
Discontinued	1.7	1.8	0.2	0.0	n/a	n/a
One-off costs	0.0	0.0	30.7	4.0	n/a	-87%
<b>Non-recurring costs Total</b>	<b>2.3</b>	<b>14.8</b>	<b>30.9</b>	<b>4.0</b>	<b>74%</b>	<b>-87%</b>



# Opex Budget Development 2011 - 2013

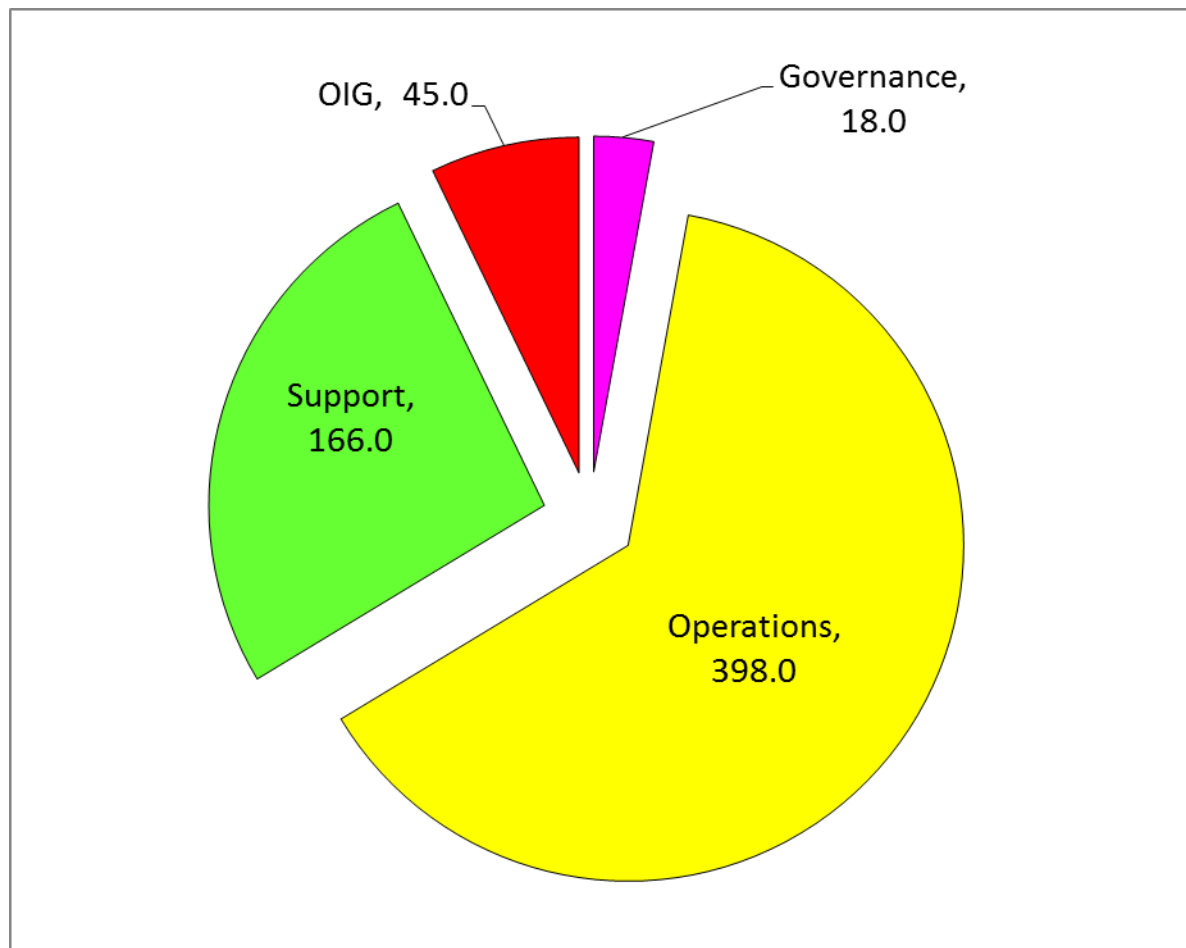
## OIG

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
<b>OIG Total</b>	<b>15.1</b>	<b>28.2</b>	<b>28.2</b>	<b>21.1</b>	<b>40%</b>	<b>-25%</b>

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>USD millions</u>						
<b>OIG</b>						
Staff costs	4.2	7.0	7.0	9.6	128%	37%
Professional fees	8.8	16.8	16.8	7.3	-17%	-57%
Travel & Meetings	2.0	3.0	3.0	2.9	48%	-3%
Office Infrastructure	0.1	1.4	1.4	1.3	1162%	-5%
<b>Total OIG</b>	<b>15.1</b>	<b>28.2</b>	<b>28.2</b>	<b>21.1</b>	<b>40%</b>	<b>-25%</b>

## Opex Budget Structure 2013

# Overview Recurring FTEs by Division / Department



**Total FTEs Budget 2013: 627**

# Opex Budget Structure 2013

## Overview Recurring FTEs by Division / Department

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>FTE numbers</u>						
Governance	28.0	25.0	21.0	18.0	-36%	-14%
Operations	370.0	395.0	393.0	398.0	8%	1%
Support Functions	172.5	186.0	158.0	166.0	-4%	5%
OIG	24.0	35.0	35.0	45.0	88%	29%
<b>FTE Total numbers</b>	<b>594.5</b>	<b>641.0</b>	<b>607.0</b>	<b>627.0</b>	<b>5%</b>	<b>3%</b>

# Opex Budget Structure 2013

## Overview Recurring FTEs for Operations

Division / Department	Actual 2011	Budget 2012	Normalized Forecast F3 2012	Budget 2013	% Variance 2013 vs 2011	% Variance 2013 vs 2012
<u>FTE numbers</u>						
<u>Operations</u>						
SIID	139.0	140.0	74.0	79.5	-43%	7%
Resource Mobilization	51.0	52.0	35.0	34.5	-32%	-1%
Grant Management	180.0	203.0	284.0	284.0	58%	0%
<b>FTE Total numbers</b>	<b>370.0</b>	<b>395.0</b>	<b>393.0</b>	<b>398.0</b>	<b>8%</b>	<b>1%</b>

# 2013 Budget uncertainties/risks

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- Magnitude (under preliminary assessment) of process/system redesign behind the new funding model!;
- Ability to fully align missions and interactions with LFAs with a full year of expected impact;
- Ability to strengthen budget discipline and solidarity with related required efforts:
  - Culture change – management change – business model change – core process changes.