
2020 Operating Expenses Budget

GF/B42/03B

42ND BOARD MEETING

14-15 NOVEMBER 2019, GENEVA, SWITZERLAND

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Executive summary

	2020 Budget Framework			2019 Budget			Variance		
	Secretariat	OIG	Total	Secretariat	OIG	Total	Secretariat	OIG	Total
Staff	144,937	10,596	155,533	143,518	10,956	154,474	1%	-3%	1%
Non Staff	136,893	4,637	141,529	135,080	4,635	139,715	1%	0%	1%
Non Recurring	7,937	-	7,937	8,116	-	8,116	-2%	0%	-2%
Total	289,767	15,233	305,000	286,713	15,592	302,305	1%	-2%	1%

2020 Budgeting Approach

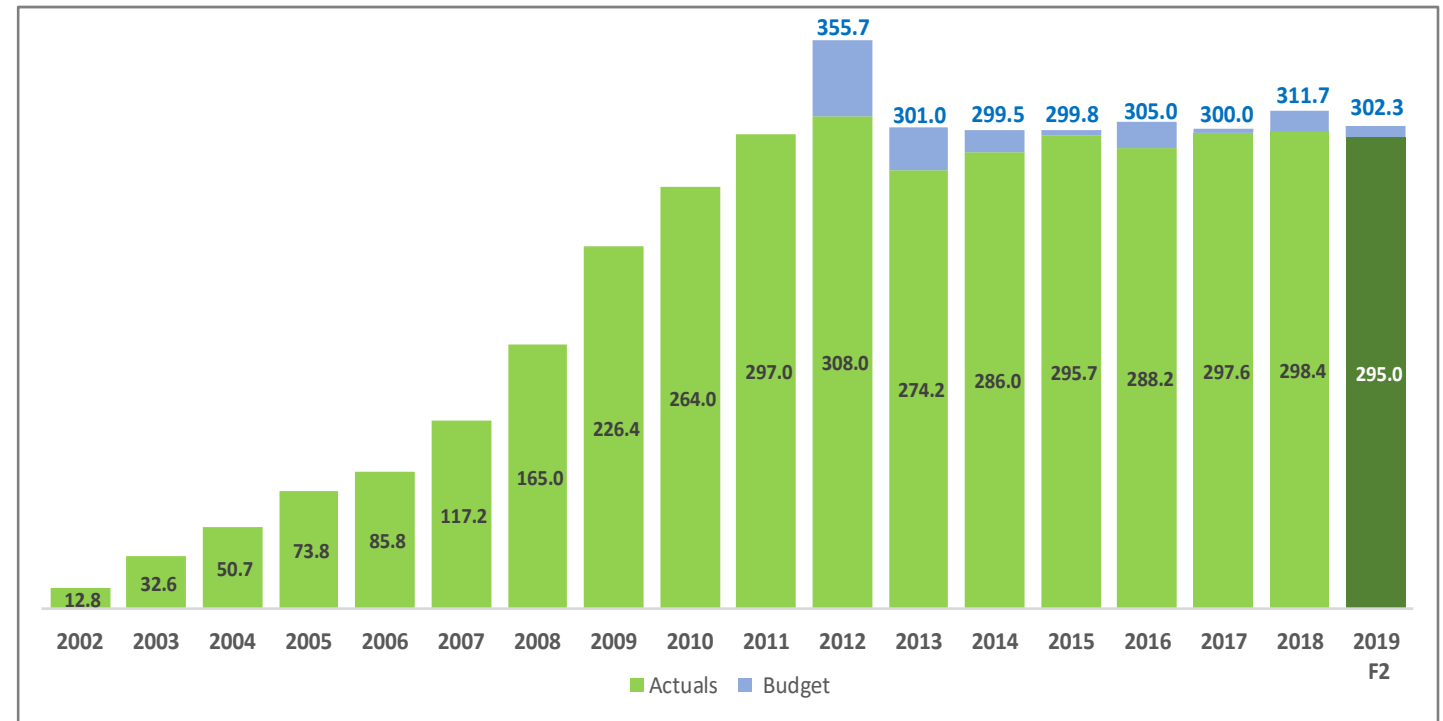
- **Launching of the next funding cycle** and the 3 year OPEX cycle (2020-2022). **Lean and simplified budgeting approach** used to build 2020 Budget using 2019 Budget as baseline and applying mechanical changes. Recognition that OPEX cost base allows limited flexibility
- **Revised set of corporate priorities** for 2020 based on Global fund investment/strategic cycle focusing on
 1. The launch of the new grant cycle
 2. Continued effort on implementation of 2017-2019 allocation period grants
 3. Preparation of the new GF strategy
- Continuous effort by Secretariat to fund strategic enablers despite limited fiscal flexibility (US\$ 282 M recurrent) - **US\$ 23 million** of funding earmarked to **strategic priorities**
- Secretariat is proposing a 2020 Budget of US\$ 305 million. Such scenario focuses on **financial discipline while enabling to meet surge workload related to 2020 grant making and invest in strategic capability and delivery booster**

Historical evolution of Secretariat OPEX: consistent focus on budgetary discipline

Since 2013, the Global Fund (GF) has consistently remained within budget ceilings with overall spend maintained below \$ 300 million.

Despite stringent monitoring of Secretariat expenses, TGF has been able:

- To **launch** key **transformational initiatives** to improve **operational excellence** and increase the **maturity level** of the organization, incl. Step-Up, wambo.org, AIM, HR transformation, D4I
- To **strengthen** existing or **develop new assurance and compliance/support functions** such as OIG, Risk, Treasury, Ethics, Supply Chain, CRG, Policy Hub, Sourcing & Supply Chain. All of these initiatives have resulted in a structural increase in the OPEX recurring cost base
- To **absorb one off impact** of major initiatives such as the move to the **Global Health Campus**
- To **limit staff cost inflation** in the previous funding cycles **challenging** the organization's ability to **balance performance, maturity and staff well-being**



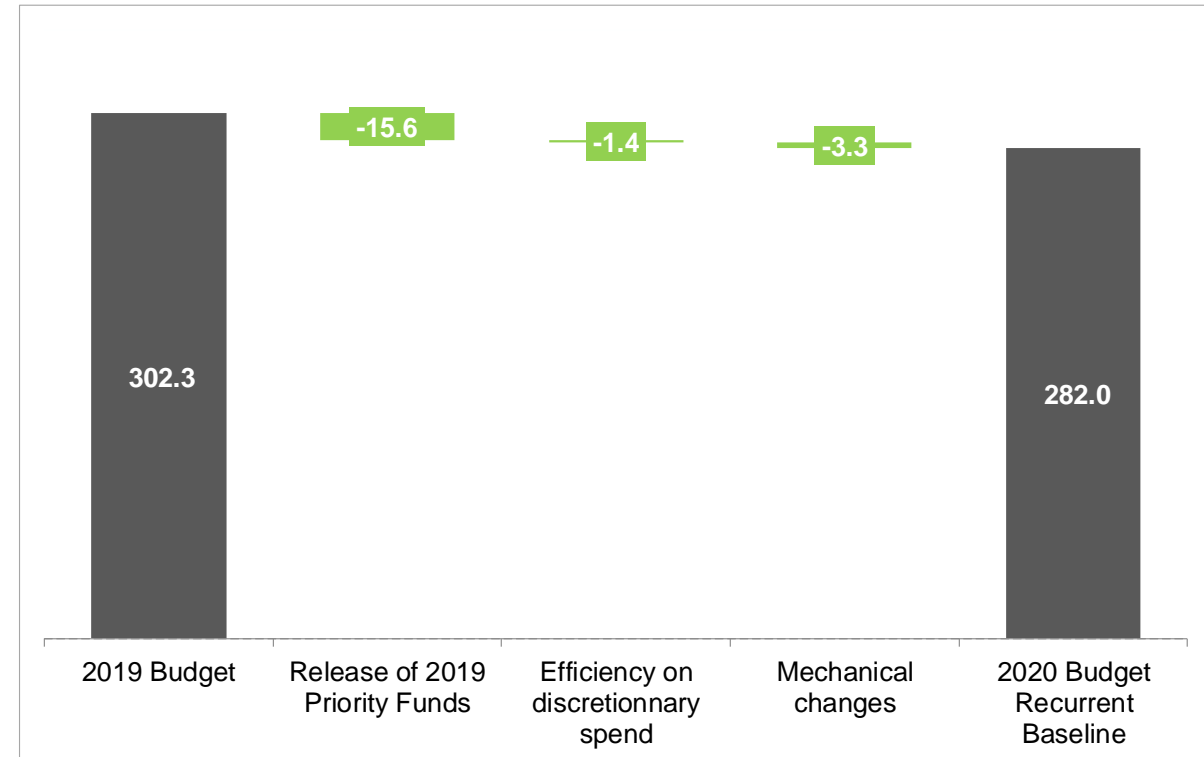
Over the 2017-2019 cycle, \$ 891 million projected to be spent based on F2 reforecast

2020 Budget framework: budgeting approach for recurring cost base

Continuous effort to drive efficiency from Recurring Cost-Base

1. **2019 OPEX Budget used as baseline excluding 2019 one offs and priorities**
2. **Continuous efficiency effort: 5-10% cut on discretionary travel and professional fees** across the board except for country facing work
3. **Adjusting for mechanical changes** (full year impact of 2019 recruiting, updated depreciation level, cost of living adjustment...) and increase in recurring cost (constituency funding)
4. **US\$ 282 million adjusted recurrent budget, representing a 2% reduction (US\$ 5 million) when compared to 2019 Recurrent Budget**

2020 recurring cost base determination



Secretariat OPEX Budget challenges with the upcoming new cycle

In 2020 Secretariat will have to manage 2 challenges, at the same time, *mobilizing OPEX resources above recurrent cost baseline* :

1. **Cyclical surge:** *significant increase in workload related to the cyclicity of GF activity (grant making year for more than 70% of total allocation)*
 - Need to catalyze grant making for the new cycle on top of focusing on optimization of the final year of the current cycle: additional resources for country facing teams (Grant Management, Program Finance, Access to Funding, Disease advisors, Legal...) to process new grants while not diverting attention from 3rd year implementation
 - Preparing the launch of new strategy cycle while performing mid cycle reviews
 - Offset by reduction in replenishment-related expenditure

2. **Case for structural shift:** *potential need for structural investment in currently under resourced areas*
 - Significant increase in grant investments with the upcoming 6th replenishment and strategic refocusing
 - Shift in grant investment approach - increased focused on prevention, RSSH, Human rights grants requiring additional Secretariat FTE and Level of Effort (LoE)
 - Greater emphasis on importance of GF playing catalytic role beyond simply providing grants (e.g. Domestic Resource Mobilization, Human Rights and Gender, Market Shaping/drug access, innovation) not fully covered by strategic initiatives
 - While maintaining investment on risk management and governance (e.g. LFA, OIG, risk, ethics, constituency funding, CCMs...) to enhance the organizational agility and maturity to effectively respond to emerging risks

Proposal: a 2020 Secretariat OPEX Budget of US\$ 305 M

The proposed US\$ 305 M, will enable the Secretariat to manage the surge in activity due to the launch of the new cycle and to invest in longer-term capacity investments in critical areas including programmatic performance, RSSH and disease-specific advice, and strategic capabilities (Supply Operations, DRM and Strategy development).

Programmatic

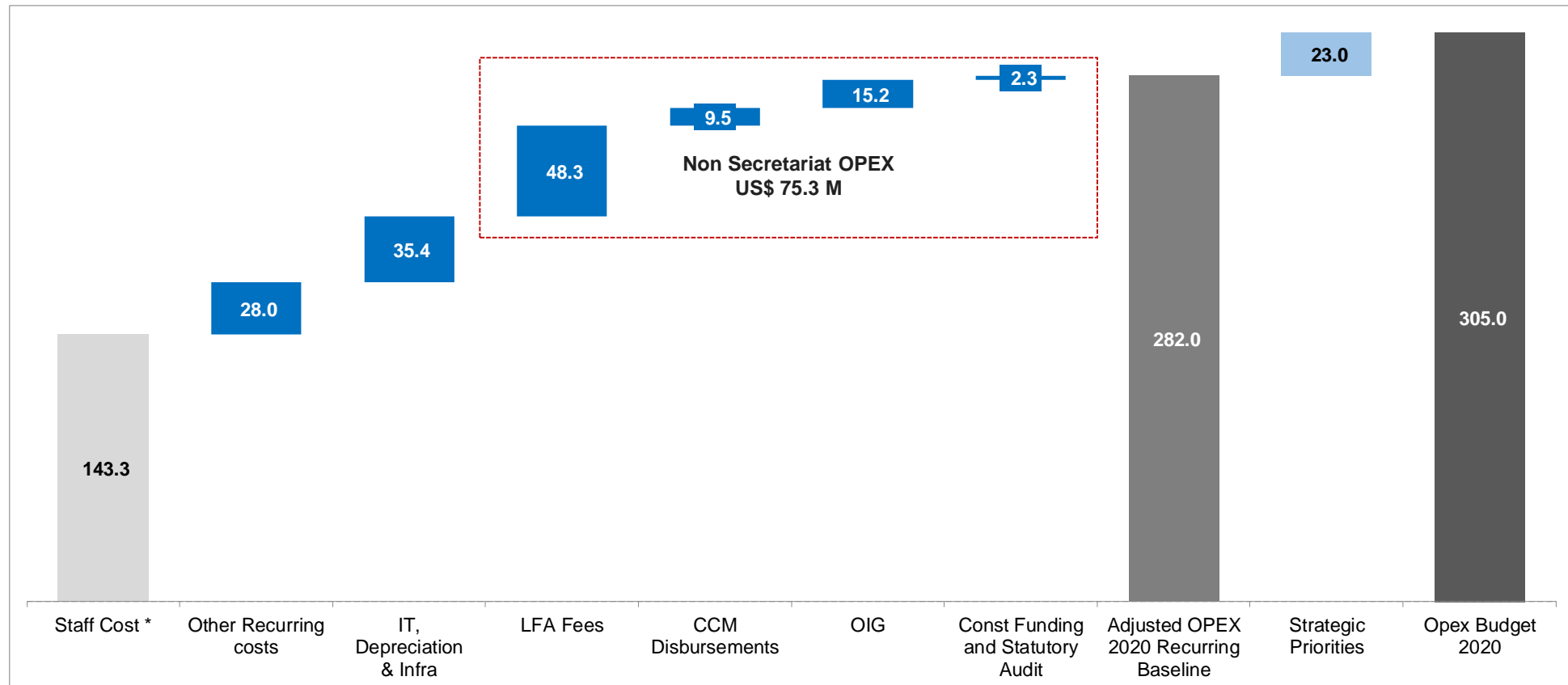
- The replenishment result has enabled a significant increase in the scale of GF programming, requiring expanded implementation arrangements that can deliver a step change;
- Critical areas for future programmatic progress require greater staff expertise including RSSH, AGYW, key populations epidemics, HIV prevention, finding missing cases and private sector engagement for TB, and rollout of new malaria technologies. Proper design of these programs is critical if they are to be scaled and fully deliver results;
- Tremendous opportunity to use potentially increased funds for significant programmatic progress in 2020-2022 grants.

The Additional 5M\$, will increase the Priority funding from US\$ 18 M to US\$ 23 M

- **US\$ 8.0 M - New funding cycle surge**
WCA Advisory Response / Implementation Effectiveness, TRP recruitment and related travel / meeting budget, Surge FTE related to Grant-Making and TAP
- **US\$ 3.0 M - Launch of the New Strategy**
Strategy development including Surge FTE, Partnership Forums (organization, hosting and comms.), TERG strategy review, Review of disease split
- **US\$ 0.5 M - Governance / Statutory Funding**
Inspector General recruitment and due diligence
- **US\$ 2.7 M - Improve efficiency and effectiveness**
IT investments, 2nd Line Risk Management
- **US\$ 2.7 M - Investing in People**
Talent development, learning and development, people strategy
- **US\$ 1.1 M - Investment in strategic capability and delivery booster**
- **+ additional US\$ 5.0 M (Total 6.1 M)**
Strategic investment in RSSH, AGYW, Human Rights, Supply Operations, Domestic Resource Mobilisation

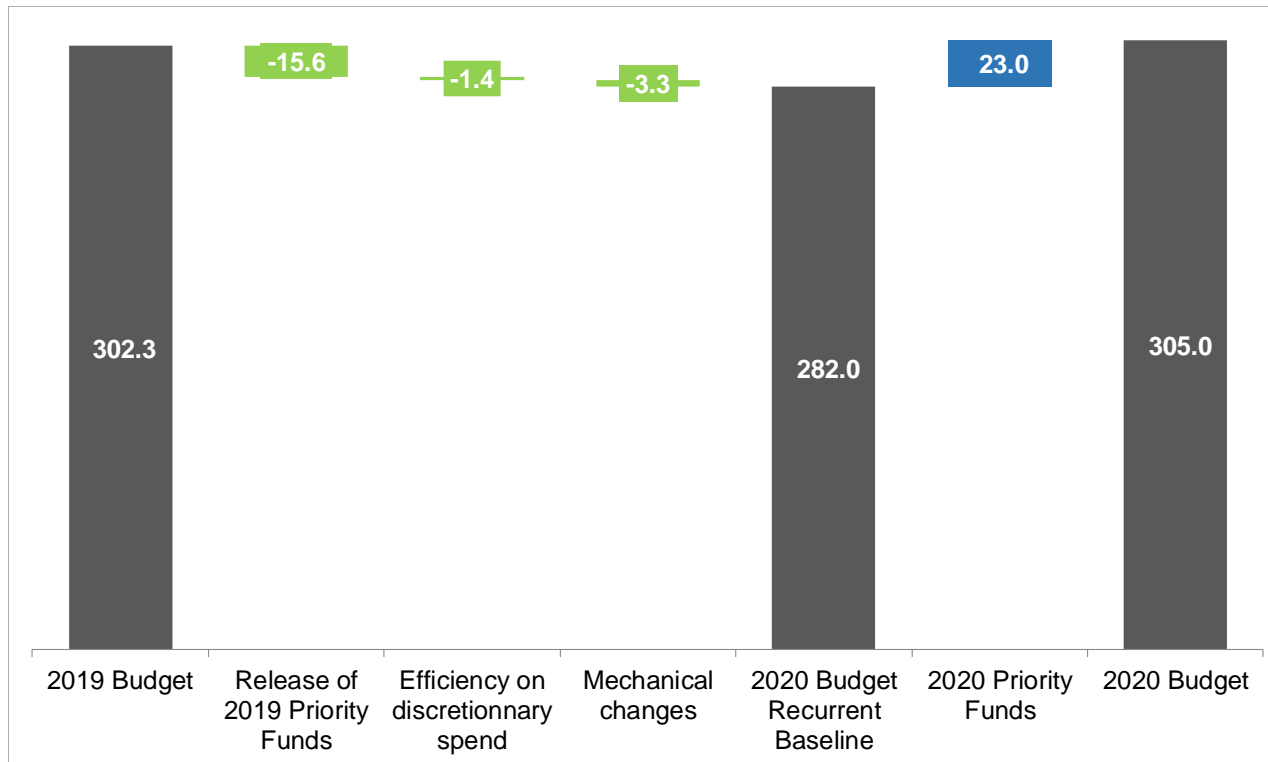
The \$ 305 M budget will drive the strategic shifts required in “stepping-up” the fight leveraging a 15% increase in Resource Mobilization

- **92% - Recurrent (\$ 281.7 million)** cost based mostly fixed or non-discretionary. Increases in recurrent constituency funding are other statutory/policy costs integrated as recurring resources as per Board request
- **8% - Secretariat effort on financial discipline: \$ 23 million** of funding needed for **2020 priorities**
- Remaining within a budget ceiling of 300 M would required **difficult trade offs** to prioritize limited surge related to the launch of the next cycle of grants and scale back on investment in strategic capabilities and delivery booster.



2020 OPEX budget of \$ 305 M: focus on financial discipline while enabling to meet surge workload related to 2020 grant making and invest in strategic capability and delivery booster

2020 Budgeting approach



2020 Budget by nature

	2019 Budget	2020 Budget	Variances	
	kUSD	kUSD	2020 vs 2019 Budget	
			kUSD	%
LFA costs	48,300	48,300	0	0%
CCM Costs	9,500	9,500	0	0%
Costs Secretariat and OIG	236,389	239,263	2,874	1%
Staff	154,474	155,533	1,059	1%
Professional fees	29,279	32,476	3,197	11%
Travel	16,824	16,610	(214)	(1%)
Meetings	3,122	3,699	577	18%
Communications	1,352	1,314	(37)	(3%)
Office Infrastructure	23,222	21,506	(1,716)	(7%)
Board Constituency	1,100	1,600	500	45%
Depreciation	7,418	6,524	(894)	(12%)
External Co-Funding	(402)	0	402	(100%)
Total Opex before non-recurring	294,189	297,063	2,874	1%
Non-recurring costs	8,116	7,937	(179)	(2%)
Total operating costs Before Health Campus	302,305	305,000	2,695	1%