2027 Workplan, Budget Narrative and Operating Expenses Budget (Part A)

56th Board Meeting

GF/B56/08A
28 – 30 October 2026, Geneva, Switzerland

Board Decision

Purpose of the paper: This document, in conjunction with Part B, presents a narrative complement to the Global Fund 2027 Workplan, Budget Narrative and Operating Expenses Budget of US$ 325 million. It includes the Audit and Finance Committee recommendation to the Board to approve the 2027 Workplan, Budget Narrative and Operating Expenses Budget, and the allocation of US$ 31 million to the operating expenses of Country Coordinating Mechanisms for the 2027-2029 allocation utilization period.

Decision

Decision Point: GF/B56/DPXX: 2027 Work Plan and Budget Narrative and the 2027 Operating Expenses Budget, and 2027-2029 Country Coordinating Mechanism Operating Expenses

Based on the recommendation of the Audit and Finance Committee, including their acknowledgement of the Asset-Liability Management of the Global Fund, the Board approves the following:

1. the allocation of US$ 31 million to the operating expenses of Country Coordinating Mechanisms for the 2027-2029 allocation utilization period;
2. the 2027 Work Plan and Budget Narrative for the Global Fund, as set forth in GF/B56/08A; and
3. the 2027 Operating Expenses Budget in the total amount of US$ 325 million for the Global Fund, which includes 2027 Operating Expenses in the amounts of US$ 15,447,641 for the Office of the Inspector General, US$ 3,980,604 for the Ethics Office, US$ 1,069,547 for the Technical Review Panel, and US$ 1,350,000 for Constituency Funding, as set forth in GF/B56/08A.

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 4.

Executive Summary

Context

The Board retains the authority to approve work plans and budgets for the governing, advisory and administrative bodies of the Global Fund, in accordance with the Global Fund Bylaws. The Audit and Finance Committee (AFC) advises the Board on (i) the annual operating expenses (OPEX) budget of the Global Fund, including the component budgets for the Secretariat and the Office of the Inspector General (OIG), and (ii) the accompanying corporate workplan for each year's operating expenses budget, in accordance with Article 2.2(j) of the AFC Charter. The 2027 operating expenses budgets for the Ethics Office, the Technical Review Panel and Constituency Funding are also proposed for inclusion in the 2027 Operating Expenses Budget. To support the Board's review and approval, the Secretariat engaged governance bodies through discussions:

- with the OPEX Working Group between April and August 2026
- at the 30th meeting of the AFC in May 2026
- at the 55th meeting of the Board in July 2026
- at the 31st meeting of the AFC in October 2026 which concluded in its recommendation to the Board for approval of the 2027 Work Plan, Budget Narrative and OPEX Budget, and 2027-2029 Country Coordinating Mechanism Operating Expenses.

The OPEX Working Group[1] supported a two-track pathway to solve the funding gap, while discussions across governance bodies reviewed the proposed 2027 OPEX Budget approach and highlighted key risks and trade-offs associated with operating within the Board-approved US$930 million OPEX aggregate forecast for the 2027-2029 period. The proposed 2027 OPEX Budget and Workplan and Budget Narrative (Workplan) reflect the guidance received through this continuous governance engagement.

The Global Fund's annual workplan forms a key component of the organization's planning, financial oversight and performance management framework. This document sets out the key priorities for 2027 and the activities funded through the Global Fund's OPEX Budget, which complement activities supported through grant funding and catalytic investments including strategic initiatives, to advance the objectives of the Global Fund Strategy and support successful implementation of Grant Cycle 8 (GC8). The proposed 2027 OPEX Budget has been developed within the Board-approved aggregate OPEX forecast of US$ 930 million for the 2027-2029 period and in the context of a significantly constrained financial environment. Compared with the cost structure and operating model that supported delivery during GC7, the organization faces an estimated affordability challenge of approximately US$ 230 million arising from lower purchasing power due to adverse foreign exchange movements, the closure of COVID-19 Response Mechanism (C19RM) funding and a lower OPEX envelope. Approximately US$ 95 million of this challenge has already been addressed through measures implemented during 2025 and 2026. The remaining affordability challenge of approximately US$ 130 million is being addressed through a two-track approach comprising immediate tactical non workforce measures (Track 1) and longer-term transformation initiatives (Track 2).

[1] The OPEX WG is not a formal decision-making governance body, the group comprises 7 members with representation from both the Audit and Finance Committee and Strategy Committee, the TOR can be found in Annex 3.

Questions this paper addresses

A. What are the key priorities driving the 2027 Budget?
B. What methodology was used to develop the proposed 2027 OPEX Budget?
C. What is included in the 2027 OPEX Budget? What are the drivers of the 2027 Workplan and Budget narrative?
D. What are the next steps?

Conclusions

A. The proposed 2027 OPEX Budget has been developed through the activation of Track 1 levers, primarily non-workforce measures, including the realignment of CCM funding, an approach supported by the Board at its 55th Meeting. It is designed to preserve critical delivery capacity while supporting the first full year of Grant Cycle 8 (GC8) implementation within the Board-approved aggregate OPEX forecast of US$930 million for 2027-2029. The budget prioritizes country-facing delivery, and the launch of GC8 strategic shifts. At the same time, it creates the operational and financial headroom needed to advance the Secretariat's transformation agenda and inform future resource requirements. Overall, the proposed budget largely maintains 2026 resourcing levels while enabling the design and implementation of continuous transformation initiatives that will support longer-term organizational effectiveness and sustainability.

B. In response to the remaining affordability challenge and the need to balance delivery imperatives with long-term sustainability, the Secretariat developed the 2027 OPEX Budget through a structured and iterative process, applying OPEX rebasing principles and strategy costing methodology[2]. The proposed budget is based on a rebased 2026 baseline that excludes one-off and cyclical costs, providing a realistic foundation for GC8 planning. The baseline was subsequently adjusted for the impact of the GC8 CHF/USD budget rate and the activation of targeted Track 1 tactical measures, primarily focused on non-workforce expenses. These measures underwent extensive analysis, calibration and functional prioritization across divisions and departments, covering emerging strategic needs. The active engagement of the Secretariat Management Executive Committee, the OPEX Working Group and governance bodies throughout the process ensured technical robustness and alignment with strategic priorities.

C. The proposed 2027 OPEX Budget of US $325.0 million comprises:

   i. Part A - Secretariat Operating Expenses at US$286.5 million;
   ii. Part B - In-country and Independent Bodies at US$38.5 million.

   The proposed budget reflects the activation of Track 1 levers, including the reclassification of CCM funding, optimization of LFA costs, workforce optimization initiatives, travel savings and other tactical measures designed to create affordability benefits while safeguarding delivery capacity. The budget preserves key organizational capabilities required for GC8 launch and establishes the foundation for future transformation activities.

D. The 56th Board meeting, scheduled for 28-30 October 2026, will consider the proposed Workplan, 2027 OPEX Budget and allocation to CCM OPEX for approval following the AFC's review and recommendation. The proposed 2027 OPEX Budget represents the first year of the broader 2027-2029 strategy costing pathway. Building on the Track 1 measures embedded in the 2027 OPEX

[2] GF/AFC30/03 - GC8 (2027-2029) Strategy Costing

Budget, the Secretariat will continue to develop and assess the continuous transformation initiatives and resource alignment (including the strategic workforce planning approach) during 2027 to inform the preparation of the 2028 and 2029 budgets. This work will further assess opportunities for transformation initiatives related to organizational design, portfolio differentiation, operating model evolution, automation, shared services, and prioritization, while carefully monitoring affordability, workforce implications, delivery risks, and strategic trade-offs.

Input Received

Throughout the development of the 2027 OPEX Budget, the Secretariat benefited from extensive engagement with governance bodies, including discussions at the 30th and 31st meetings of the AFC (May and October 2026), the 55th meeting of the Board (July 2026) and four dedicated meetings with the OPEX Working Group. These discussions built a shared understanding of the approximately US$ 230 million GC8 affordability challenge, validated the Secretariat's proposed dual-track approach to address the funding gap and provided important guidance on the balance between affordability, delivery capacity and long-term sustainability. Governance input provided direction on the use of Track 1 levers, including the CCM funding realignment, highlighted key risks and trade-offs associated with the affordability pathway, and reinforced the need for continued transformation and strategic workforce planning. A summary of the four OPEX Working group sessions is available in Annex 3.

At the 31st AFC meeting, the Committee recommended the proposed US$ 325 million 2027 OPEX Budget and the 2027-2029 CCM operating expenses of US$ 31 million for Board approval. AFC members welcomed and supported the differentiated allocation of resources, including the prioritization of country-facing delivery, grant management and other critical organizational capabilities required for the launch and implementation of GC8. The Committee also recognized the deliberate choices and trade-offs embedded in the budget, while emphasizing the importance of maintaining appropriate assurance and oversight capacity. Looking beyond 2027, AFC discussions reinforced the need for continued transformation and strategic workforce planning and called for clearer articulation of the risks, trade-offs and activities that may need to be deprioritized. Members also emphasized stronger alignment between strategic priorities and financial choices and continued engagement with country stakeholders, including communities and civil society. The AFC provided directional support to consider up to US$ 60 million of ALM headroom for a potential OPEX adjustment to preserve flexibility and avoid premature organizational decisions, with increased risk exposure. Any adjustment will remain subject to the AFC and Board's annual budget review and approval.

Input Sought

The Board is requested to approve the Decision Point presented on page 2.

Report

Section 1: Core HTM (Regular OPEX)

A. Context and key priorities for the 2027 Budget

1. Since the beginning of 2026, the external funding environment has remained challenging, marked by constrained development assistance, ongoing geopolitical uncertainty, sustained foreign exchange pressures, and growing expectations regarding sustainability and domestic resource mobilization. As the Global Fund enters the first full year of GC8 implementation, the Secretariat must continue delivering on its strategic objectives while operating within a significantly more constrained resource environment than that which supported GC7 delivery.
   Compared to the operating model and resource levels that supported GC7 implementation, the Secretariat faces an estimated funding gap of approximately US$ 230 million. Of this amount, US$ 95 million relates to the lower aggregate OPEX forecast and has already been addressed through measures incorporated into the 2026 transition budget. The remaining US$ 130 million reflects a structural affordability gap, largely driven by the impact of foreign exchange movements on a cost base that is predominantly exposed to CHF-denominated costs.
   The 2027 budget, delivered mainly by Track 1 levers, intentionally creates headroom to design the future operating model, and is a first milestone in the longer transformation journey. It should therefore be viewed as a transition year within the broader affordability pathway, providing the operational stability and implementation runway required for the Secretariat to complete the strategic workforce planning, design of the operating model and transformation decisions that will shape 2028 and 2029 budgets.

2. In that context, the priorities of the organization for 2027 are set as below:

   a. <u>Deliver GC8 grants for impact</u>

      I. Successfully launch and execute the first year of GC8 grants, translating the GC8 strategic shifts into timely, high-quality implementation and impactful programs.
      II. Drive continued progress against HIV, TB and malaria, supporting countries to adapt programs to evolving epidemiological and operating contexts and accelerate uptake of new tools and innovations.
      III. Maintain effective country-facing support, grant management and portfolio oversight through differentiated and risk-informed approaches, underpinned by robust risk management, assurance and governance.

   b. <u>Advance sustainability, integration and effective transitions</u>

      I. Advance country-specific pathways towards sustainable transition and greater self-reliance, optimizing domestic and external resources and strengthening national systems and financing.

II. Advance outcome-focused integration of prioritized HTM services within broader health services, anchored in country stewardship and people-centered care, while strengthening sustainable community systems and services for those most at risk.
III. Continue to adapt the Global Fund partnership model to evolving country realities, applying differentiated approaches to sustain impact in challenging operating environments and other complex contexts.
IV. Leverage procurement and market-shaping capabilities to expand access to affordable, quality-assured products and innovations, including through the evolution of PPM/Wambo.org and partnerships with other platforms and scaling-up Non-Global Fund-financed Procurement.

b. Strengthen the Global Fund's role and resource base in an evolving global health ecosystem

I. Sustain resource mobilization and timely pledge conversion, while preparing for the 9th Replenishment and the next funding cycle.
II. Strengthen and diversify the Global Fund's resource base, including through deeper engagement with public and private partners and innovative financing approaches.
III. Evolve the Global Fund partnership model in response to the changing global health and financing landscape, strengthening complementarity, reducing fragmentation and maximizing collective impact.

c. Carry out effective leadership transitions and continuously transform the Secretariat for greater effectiveness, agility and affordability

I. Progress implementation of the two-track transformation pathway, delivering near-term priorities while advancing the longer-term evolution of the Secretariat operating model.
II. Accelerate automation, AI and alternative service delivery models to improve efficiency, increase capacity and support longer-term affordability.
III. Continue to simplify how the organization works, streamlining core processes, decision-making and HR policies to improve operational effectiveness.
IV. Continue to evolve the workforce and organization to meet future needs, retaining critical capabilities, supporting staff through change and maintaining delivery continuity.
V. Navigate leadership transitions effectively, maintaining clear accountability, organizational stability and momentum through change.

3. Overall, the proposed 2027 budget broadly maintains 2026 resourcing levels, enabling the Secretariat to support the launch and implementation of GC8 priorities while minimizing disruption to delivery during a period of significant change. At the same time, it creates the foundation for the next phase of the Secretariat's transformation agenda, positioning the organization to strengthen its long-term sustainability, refine its future delivery model, and continue delivering effectively on the Global Fund's mission and strategic objectives.

B. 2027 OPEX Budgeting methodology

1. Throughout 2026, the AFC, the cross-functional OPEX Working Group[3] and Board supported a two-track pathway to address the organization's affordability challenge while supporting delivery within the Board-approved aggregate OPEX forecast of US$ 930 million for the 2027-2029 period. The

[3] TOR and composition of the OPEX Working group members are included in Annex 3

proposed 2027 OPEX Budget is the first annual budget developed under this framework, translating governance guidance into a balanced allocation of resources that supports current delivery requirements while creating space for longer-term transformation initiatives.

2. The first step of the budgeting process was to rebase the 2026 OPEX Budget of US$ 310.3 million. Any one-off and cyclical expenses embedded in the 2026 budget is removed to establish an underlying operating cost base for 2027, reducing the baseline by approximately US$6.0 million.

3. Building on this rebased cost base, the Secretariat implemented a range of Track 1 levers designed to generate near-term efficiencies while preserving critical delivery capacity. These measures included the CCM funding realignment endorsed by governance bodies, workforce optimization initiatives, LFA cost optimization, travel savings, facility and administrative efficiencies, and reductions in structural and technical adjustments. Together, these measures generated approximately US$ 27.3 million of OPEX affordability benefits.

4. Following the application of Track 1 levers, the Secretariat conducted a cross-functional prioritization exercise to identify areas requiring targeted reinforcement and to address emerging strategic and business needs. This process resulted in the reallocation of US $5.8 million across functions and divisions, with a focus on preserving critical delivery capacity, supporting implementation of GC8 priorities, and maintaining organizational flexibility during the transition to the longer-term transformation agenda. The prioritization exercise reflected explicit choices and trade-offs across the organization and ensured that resources remained aligned with the most critical delivery and strategic requirements. Throughout the process, the Secretariat Management Executive Committee actively reviewed budget proposals and resource allocations, balancing affordability considerations, workforce implications, delivery requirements and organizational capacity.

5. The proposed budget also incorporates the impact of the GC8 CHF/USD hedged budget rate, reflecting the organization's foreign exchange exposure. Given the Secretariat's predominantly CHF-denominated cost base, foreign exchange continues to be a significant cost driver, with approximately US$ 42.2 million of FX impact absorbed within the proposed 2027 budget.

6. The resulting 2027 OPEX Budget proposal of US$ 325.0 million balances affordability and delivery requirements while preserving critical organizational capabilities required to support GC8 implementation.

C. 2027 OPEX Budget proposal

The Secretariat recommends a 2027 OPEX Budget of US$ 325.0 million, comprising:

- Part A – Secretariat OPEX of US$ 286.5 million (including approximately US$ 15.4 million for OIG); and
- Part B – In-Country Assurance and Independent Bodies OPEX of US$ 38.5 million

2027 OPEX by Functional View

The 2027 OPEX Budget proposal reflects targeted prioritization across delivery areas to preserve critical delivery capabilities while operating within the approved affordability framework. Resource

allocation decisions were informed by strategic priorities, delivery requirements, operational risks and transformation objectives. The budget prioritizes country-facing delivery, grant management, supply operations and organizational capabilities required to support the successful implementation of GC8, while adopting a more targeted and risk-based approach to assurance and oversight activities.
The differentiated allocation across delivery areas is summarized as follows:

Strategy, Governance and Executive Coordination (+12% vs. 2026 Restated Budget): reflects continued investment in strategy execution, governance support, resource mobilization activities and executive coordination required to support implementation of GC8 priorities and organizational transformation.

Compliance and Assurance (-4%): reflects optimization of assurance-related expenses, primarily driven by LFA cost efficiencies and continued refinement of assurance activities. The proposed budget maintains core oversight capabilities while adopting a more targeted and risk-based approach.

Operations (+9%): supports key enabling functions across the organization, including finance, technology, administration, human resources and corporate services. The budget also preserves investments required to support automation, digital capabilities and future transformation initiatives.

Grant Delivery (Execution of GC8 Shifts) (+17%): continues to represent the largest functional allocation and is deliberately protected within the proposed budget. The increase reflects the need to maintain country-facing support, grant management, program oversight and implementation capacity required to successfully launch and deliver GC8. Grant Delivery increases from approximately 25% in 2026 to 27% in 2027 of the overall Secretariat OPEX allocation, reflecting the Secretariat's commitment to prioritizing country impact and mission delivery.

Structural and Technical Adjustments: budgeted at US$ 22.0 million, representing approximately 7% of the total OPEX Budget, to continue the workforce adjustments, transition costs and other organizational requirements arising from the ongoing transformation agenda.

2027 OPEX by Cost Nature

The proposed budget reflects the application of Track 1 tactical levers, that are mainly non-workforce-related reductions. As a result, the average FTE cost is increasing by approximately 20%, driven by foreign exchange pressure.

Workforce costs, which include staff and individual/temporary consultants, account for approximately 62% of the total budget and increase by US$ 25.7 million, or 15%, compared to the 2026 restated Budget. Despite the increase in workforce costs, the proposed budget supports 853 FTEs compared to 898 FTEs in the 2026 baseline. The increase in workforce costs is primarily driven by the impact of foreign exchange movements on the Secretariat's workforce cost base.

Non-workforce costs, representing approximately 31% of the total budget, decrease by US $1.7 million, or 1.6%, compared to the 2026 restated Budget. The reduction is primarily driven by Track 1 tactical levers, including optimization of LFA costs, professional fees, travel and other discretionary expense categories. These reductions support delivery of the affordability pathway while preserving critical organizational capabilities and creating operational headroom for future transformation initiatives.

Structural and Technical Adjustments (non-recurring costs), representing approximately 7% of the total budget, amount to US$ 22.0 million. These costs include workforce-related liabilities, transition and

restructuring costs, and other technical adjustments required to support the continuous organizational transformation. Compared to the 2026 restated Budget, Structural and Technical Adjustments increase by approximately US$ 0.9 million.

CCM Funding: As part of the Track 1 tactical measures, CCM funding was reclassified outside the OPEX Budget and will be funded through the overall ALM balance. Endorsed by the governance bodies in July, this realignment recognizes CCM funding as a dedicated Part B component of grant funding. The change, equivalent to approximately US$ 10.3 million in the 2026 budget (US$ 31 million for 2027-2029 period), is not a cost-saving measure but a funding source adjustment that preserves organizational capacity and provides operational headroom while longer-term transformation initiatives are implemented. CCM funding levels, country allocations, governance arrangements, and CCM independence remain fully unchanged. The Decision Point presented in page 2 of this paper includes the recommendation to the Board for this CCM funding realignment.

The composition of the 2027 OPEX Budget reflects the differentiated impact of Track 1 tactical levers and foreign exchange pressures on the cost base. The temporary increase in the workforce share of the budget is primarily driven by foreign exchange impacts and the concentration of Track 1 measures within non-workforce categories. Similarly, the approximate 20% increase in average cost per FTE is driven by CHF exposure, while the overall workforce has significantly reduced by ~20% since GC7. Overtime transformation initiatives may support a rebalancing of the OPEX cost structure. The Management Executive and Governance bodies have acknowledged the OPEX tensions and the importance of the continuous transformation (Track 2) and the need to align future resourcing through strategic workforce planning.

Workforce Capacity and Resource Outlook

1. The 2027 OPEX Budget supports approximately 853 FTEs, compared to 898 FTEs in the 2026 baseline and 1,058 FTEs in the 2025 Budget, representing a reduction of approximately 205 FTEs (20%) for 2027 compared to 2025.
2. Despite the reduction in workforce capacity, total staff costs (exc. Consultants) increased from US$ 173.3 million to US$ 198.0 million, and average cost per FTE increases from approximately US$ 193,000 to US$ 232,000, primarily due to foreign exchange impacts.
3. The proposed budget seeks to balance these cost pressures while preserving critical technical expertise, country-facing support, and organizational capabilities required to deliver GC8 priorities and support implementation of the two-track pathway.

Secretariat's Transformation Update and 2027-2029 Strategy Costing

1. The Secretariat's transformation agenda remains a critical element of the affordability response, enabling the organization to maintain the capacity required to deliver GC8 priorities while operating within a constrained funding environment. The proposed 2027 OPEX Budget provides the operational and financial bridge between immediate affordability measures and longer-term operating model changes. The objective extends beyond cost reduction and focuses on ensuring that the Secretariat remains fit-for-purpose, responsive to evolving country needs, and positioned to operate effectively within a rapidly changing global health landscape.

2. Throughout 2026, governance discussions, including the OPEX Working Group sessions and deliberations at the 55th Board Meeting, have consistently recognized the challenges associated with operating within the current US$ 930 million aggregate OPEX forecast. The Secretariat has

presented the risks, trade-offs and strategic implications of this affordability pathway, including through functional case studies illustrating the potential impacts on workforce capacity, operational delivery, country oversight and organizational effectiveness. At AFC31, members called for a balanced and more explicit articulation of the choices involved, including what may need to be deprioritized, and emphasized that strategy, risk and financial discussion should be considered together. AFC discussions also highlighted the strong linkage between Secretariat resources and country outcomes, recognizing that reductions in country-facing support, technical engagement, transition assistance or assurance activities may affect implementation performance, risk management and the achievement of programmatic results. These discussions highlighted the need to move beyond incremental divisional reductions and towards a more holistic assessment of the future operating model, organizational footprint and long-term workforce strategy.

3. In response, the transformation agenda is focused on redesigning how the Secretariat delivers its mandate. A central component of this work will be the development of a strategic workforce planning approach that aligns organizational capacity, critical capabilities and resourcing requirements with GC8 delivery priorities and future affordability constraints. Other key initiatives include reviewing the country-facing operating model, increasing differentiation of support based on country context and risk, refining assurance and oversight approaches, consolidating selected functions, expanding automation and artificial intelligence capabilities, and increasing the use of shared services and alternative delivery models where appropriate. Collectively, these efforts aim to simplify processes, strengthen prioritization, improve resource allocation and create a more sustainable operating model within the approved affordability framework.

4. Holding the aggregate OPEX forecast at US$ 930 million represents a pathway that entails increasingly significant trade-offs. The scenario would require further prioritization across strategic, country-facing, operational and assurance functions, reducing organizational flexibility and resilience at a time of heightened external uncertainty. Key risks include slower acceleration of programmatic impact, reduced capacity to support country transitions and implementation challenges, a narrower performance and oversight framework, and a shift from preventive to more reactive assurance activities. AFC discussions reinforced that these trade-offs extend beyond the Secretariat itself, as reductions in organizational capacity may translate into less country-facing support, weaker implementation oversight and reduced ability to address emerging challenges, ultimately affecting the pace and effectiveness of country-level results. While the Secretariat believes these risks can be managed, operating at this level may constrain the organization's ability to adapt to emerging priorities, protect delivery outcomes and fully support the ambitions of the GC8 strategic shifts and future organizational transformation agenda.

5. While the Secretariat considers the US$ 930 million aggregate OPEX forecast to be achievable, it acknowledges the significant risks and trade-offs associated with this pathway. The additional ALM headroom presented in the Financial Performance update provides a relevant reference point for these discussions. Had the additional US$ 661 million contribution been known when the GC8 Sources and Uses of Funds were approved, the OPEX aggregate may have been assessed differently. Applying the Global Fund’s indicative OPEX efficiency ratio of around 7% to the additional funding would translate into illustrative potential OPEX capacity in the order of US$50 million over GC8. This does not prejudge any adjustment to the current US$930 million aggregate OPEX forecast, but provides a useful benchmark for governance bodies as they consider the strategic choices, delivery risks and trade-offs associated with the appropriate OPEX funding trajectory for GC8. AFC discussions reinforced that choices regarding Secretariat resourcing

extend beyond organizational affordability considerations and have implications for country-facing support, implementation oversight, assurance and the achievement of GC8 objectives.

D. Next steps

1. Looking ahead, the Secretariat will continue advancing its transformation agenda while sequencing implementation in a manner that protects delivery of critical organizational priorities. Given the demands associated with the successful launch of GC8, ongoing delivery of GC7 commitments, leadership transitions and a rapidly evolving external environment, the phased approach is intended to balance ambition with execution discipline, allowing the Secretariat to sustain operational performance while continuing to evolve its operating model, strengthen organizational effectiveness and deliver the efficiencies required to support long-term affordability.

2. Given the interdependencies between workforce planning, organizational design, transformation sequencing and budget preparation, continued engagement and timely guidance from governance bodies will remain important. Building on the AFC's directional support to consider flexibility of up to US$60 million of ALM headroom for a potential OPEX adjustment, and subject to future AFC and Board decisions on the 2028 and 2029 OPEX budgets, the Secretariat will continue to advance its transformation agenda and strategic workforce planning, further assessing opportunities related to organizational design, portfolio differentiation, operating model evolution, AI and automation, shared services centers, and prioritization. This approach will allow the Secretariat to further mature its analysis and proposals while also providing the incoming Executive Director with sufficient opportunity to shape longer-term operating model, organizational design and workforce planning decisions. This work will be accompanied by a clearer articulation of the implications, risks and trade-offs associated with different affordability pathways, including the potential impact on country-facing support, assurance, organizational capabilities and delivery of GC8 priorities. Recognizing the direct link between Secretariat capacity and country-level results, the AFC generally acknowledged a need for management flexibility while this work matures, to protect delivery, assurance and critical capabilities. Proposals for 2028 and 2029 OPEX budgets will remain subject to annual governance review and approval, and the Secretariat will continue to engage Committees and the Board on the strategic, operational and financial implications of potential OPEX trajectories for GC8, which will be supported by analysis and evidence.

Section 2 & 3 fall outside the scope of the Decision Point presented on page 2 of this paper, but they are included below for completeness and transparency, providing a holistic view of all costs and funding resources.

Section 2: Alternative Funding Mechanism

C19RM & Strategic Initiatives

The proposed 2027 OPEX Budget reflects the continuing transition from the exceptional implementation environment of recent years toward a more sustainable GC8 operating model. As C19RM activities conclude and time-bound funding streams wind down, resources previously supported through C19RM are either absorbed within the core operating model where critical to delivery or discontinued where no longer required.

Similarly, Strategic Initiatives resources continue to support time-bound, priority interventions aligned with strategic objectives and are managed outside the Secretariat's regular OPEX envelope. SI projections at US$ 8.9 million are subject to changes pending Grant Approval Committee approval of budgets.

Together, these mechanisms provide targeted support for specific programmatic and organizational priorities while enabling greater transparency in the presentation of core operating costs.

Section 3: Special Purpose Mechanism

Non-Global Fund-Financed Procurement (NGFP)

1. In line with the budgetary implications outlined in the July 2026 Board paper[4], the Secretariat has developed an initial resource plan to support NGFP operationalization and scale-up. Whilst the NGFP Mechanism will operate across grant cycles, the projected sources of funds available for NGFP OPEX for 2026–2028 amounts to US$19.8 million, comprising anticipated fee income and private donor co-funding. Incremental Secretariat operating costs of US$ 14.1 million have been endorsed by the Executive Director and NGFP Steering Committee, including US$ 7.5 million for 2027. The indicative projected balance of US$ 5.7 million remains subject to further cost attribution, funding requirements and financial safeguards.
2. Unlike regular OPEX, where a three-year aggregate forecast is established at the beginning of the cycle, NGFP operates under a demand-funded model, with resources evolving alongside procurement activity and associated fee income. Demand forecast incorporates prudent adjustments for demand uncertainty and foreign exchange exposure. Annual budgets will be established within the multi-year resource envelope, allowing flexibility in the timing of expenditure while ensuring that commitments are made only against sufficiently secured and available funding.
3. To mitigate financial risks, NGFP sources and uses of funds will be monitored on a rolling 12-month basis, with funding availability, expenditure and outstanding commitments reviewed twice annually. Projected sources of funds and budgeting will be adjusted as necessary (biannual review) to maintain financial alignment. Cost estimates may also be refined as NGFP operationalizes, including through the attribution of existing Secretariat capacity deployed to support the mechanism. AFC guidance will be sought on the use of surplus reserves should these exceed 18 months of NGFP operating costs.

Recommendation

The Board is requested to approve the Decision Point presented on page 2.

[4] GF/B55/05 Rev1 Policy on Non-Global Fund Financed Procurement

Annexes

The following items can be found in Annex:

- Annex 1: 2027 OPEX Budget by major cost categories (PART A - Secretariat)
- Annex 2: 2027 OPEX Budget by major cost categories (PART B - In-Country & Independent Bodies)
- Annex 3: Summary of OPEX Working Group sessions (including TOR)
- Annex 4: Relevant past Board/Committee Decisions
- Annex 5: Links to Relevant Past Documents & Reference Materials

Annex 1 – 2027 OPEX Budget by major cost categories (PART A - Secretariat)

Budget category (US$ millions)

Total Workforce	LFA	CCM	Professional fees	Office infrastructure	Travel	Meetings
199.0	-	-	28.1	20.1	11.2	1.9
Communication	Board constituencies	Other	Non-recurring costs	**Total**		
1.3	1.4	1.4	22.0	**286.5**		

Total Workforce (incl. consultants) (US$ millions)

Restated Budget 2026	Budget 2027
173.3	199.0

Professional fees (excl. individual contractor) (US$ millions)

Restated Budget 2026	Budget 2027
26.3	28.1

Travel expenditures (US$ millions)

Restated Budget 2026	Budget 2027
11.0	11.2

Annex 2 – 2027 OPEX Budget by major cost categories (PART B - In-Country & Independent Bodies)

Budget category (US$ millions)

Total Workforce	LFA	CCM	Professional fees	Office infrastructure	Travel	Meetings
3.7	31.5	-	2.7	-	0.5	0.05

Communication	Board constituencies	Other	Non-recurring costs	**Total**
-	-	0.01	-	**38.5**

Total Workforce (incl. consultants) (US$ millions)

Restated Budget 2026	Budget 2027
4.0	3.7

LFA (US$ millions)

Restated Budget 2026	Budget 2027
35.0	31.5

CCM (US$ millions)

Restated Budget 2026	Budget 2027
10.3	-

Professional fees (excl. individual contractor) (US$ millions)

Restated Budget 2026	Budget 2027
3.5	2.7

Travel expenditures (US$ millions)

Restated Budget 2026	Budget 2027
1.1	0.5

Annex 3 – Summary of OPEX Working Group sessions

Overview of the OPEX Working Group

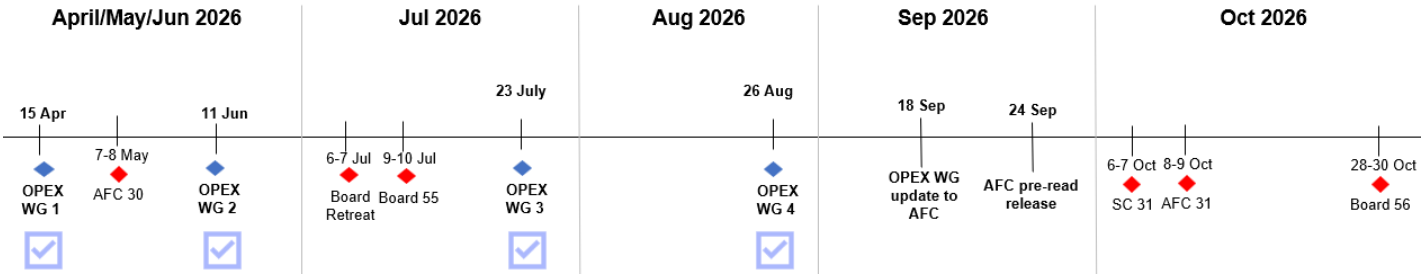
The OPEX Working Group is an informal, cross-functional, time-limited group established by the Audit and Finance Committee (AFC) Leadership to support the AFC's consideration of the Secretariat's operating expenses for the 2027–2029 implementation cycle. Building on the successful experience of the previous OPEX working group, it provides a forum for more detailed discussion and analysis ahead of formal AFC deliberations.

The Working Group serves in an advisory capacity and has no decision-making authority. The Working Group comprised representatives from both the AFC and the Strategy Committee (SC), reflecting donor, implementer, voting and non-voting perspectives:

- Sherwin Charles, AFC Chair and Working Group Chair, non-voting
- Andriy Klepikov, Implementer group, voting AFC member
- Daniel Yaw Domelevo, Implementer group, voting AFC member
- Sylvie Chantereau, Donor group, voting AFC member
- Jamie Morris, Donor group, voting AFC member
- Carles Soriano, independent AFC member
- Massimo Ghidinelli, voting SC member

The OPEX Working Group met four times between April and August 2026, to progressively develop the Secretariat's proposed 2027 OPEX budget and GC8 affordability pathway within the US$930M aggregate forecast determined as part of the Board-approved allocations of sources and uses of funds (OPEX envelope). This series of sessions was designed to conclude ahead of the AFC31 meeting (October 2026), where the AFC recommended for Board approval the 2027 OPEX budget and allocation of funds to CCM OPEX for 2027-2029, and reviewed the 2027-2029 strategy costing and related updates on transformation and organizational design.

The following sections summarize the four Working Group sessions highlighting the key discussions, feedback received, and how members' input shaped the proposed 2027 OPEX budget and the broader strategy costing pathway for 2027–2029.



Overall progression: The four sessions moved the discussion from methodology and affordability framing to a defined two-track pathway, which critically considered relevant workforce, operating model, delivery and risk implications. This progression helped refine the proposed 2027 budget and shape a balanced governance narrative for the three-year costing pathway.

Session 1: Methodology, affordability, and strategy costing exercise.

Working Group Discussions and Feedback

• The Secretariat presented its approach to GC8 Strategy costing and OPEX evolution, including the impact of funding constraints and foreign exchange pressures on OPEX affordability.
• Members reviewed the proposed approach to strategy costing and the framing of affordability, trade-offs and delivery capacity for GC8 within the US$930 million OPEX envelope. No decision on specific levers or measures was sought at this stage.
• The discussion broadened the range of potential levers for later assessment, including greater use of remote or teleworking arrangements and possible outsourcing of selected technical expertise.
• Members requested a clearer explanation of the foreign exchange strategy, including the approach to managing and hedging Swiss franc exposure.
• The discussion also tested the minimum OPEX level required to operate effectively in GC8 and how delivery could be maintained within the envelope, while recognizing potential implications for the sustainability of the cost base into GC9.

How the session shaped the governance narrative on GC8 strategy costing

• The AFC materials were strengthened to explain the methodology and the role of strategy costing as a structured discussion on affordability, delivery capacity and longer-term sustainability.
• Additional levers were positioned as areas for feasibility analysis rather than proposals, helping preserve optionality while avoiding premature decisions.
• The FX narrative was clarified, and the future governance discussion was framed around the choices and trade-offs required to remain within the envelope.

Session outcome: The Working Group established the analytical foundation for the costing pathway and confirmed that the AFC discussion should first build comfort with the methodology, assumptions and decision framework.

Session 2: Consolidation of a two-track affordability pathway and the emerging 2027 budget direction.

Working Group Discussions and Feedback

• The Secretariat presented a consolidated approach responding to an estimated funding gap of approximately US$230 million relative to GC7, driven by structural and FX-related pressures.
• Members considered a two-track pathway within the US$930 million aggregate forecast: early, mainly non-workforce measures to create immediate headroom and anchor a 2027 budget of approximately US$320-325 million, followed by sequenced structural changes across GC8. Track 1 was described as delivering approximately US$70 million through primarily non-workforce tactical measures, while Track 2 was expected to deliver approximately US$60 million through longer-term operating model, workforce and efficiency measures.

• The proposed realignment of approximately US$31 million of CCM funding from the Secretariat OPEX envelope to ALM balances was included, elevating CCM funding withing the allocation cascade while preserving funding levels and independence, separately from country allocations.
• The discussion emphasized explicit trade-offs and risks, including possible effects on oversight arrangements, institutional capacity and delivery performance, together with the need for mitigation measures and sequencing to avoid disruptive adjustments.

How the session shaped the governance narrative on GC8 strategy costing
• The session helped converge the work around a near-final two-track architecture, providing a practical basis for the 2027 budget and the broader three-year pathway.
• It reinforced early action, transparent articulation of risk appetite and trade-offs, and sequenced transformation as the core principles of the governance narrative.
• The Working Group input, together with AFC30 guidance, was incorporated into the Board materials and informed the workplan for the remaining sessions and final approvals.

Session outcome: The Working Group moved the exercise from a methodological discussion to a defined financial pathway, linking the immediate 2027 budget response to the structural transformation required over 2027-2029.

Session 3: Testing the proposed 2027 OPEX budget and making the Track 2 implications more explicit.

Working Group Discussions and Feedback
• The Secretariat presented a proposed 2027 OPEX budget of US$ 325 million as the first step within the US$ 930 million three-year envelope. 2027 Budget was developed by applying endorsed Track 1 levers to 2026 cost baseline. It aims at largely maintaining workforce capacity to launch GC8, providing time for more structural decisions to mature in Track 2.
• Members asked for a clearer account of what operating within the US$930 million envelope would mean in practice, particularly the associated risks, trade-offs and delivery consequences.
• Workforce impact and timing were central concerns. Members highlighted the risks of prolonged uncertainty for morale, retention and performance and questioned whether Track 2 decisions, or reconsideration of the envelope, should occur earlier.
• Members requested greater clarity on the future organizational end-state, implementation timelines, the balance between workforce and non-workforce reductions, the cost of delaying Track 2, and the sustainability of the CCM funding realignment.
• The discussion also extended to longer-term operating model choices, including workforce planning, organizational footprint and relocation strategies, while stressing the need to preserve organizational stability and delivery capacity.

How the session shaped the governance narrative on GC8 strategy costing
• The feedback confirmed the US$ 325 million proposal as a transformation year budget, protecting near-term delivery while longer-term transformation decisions are developed.
• It sharpened the need to present the three-year costing as a set of strategic and organizational choices and consequences, rather than as a purely financial trajectory, with more visibility on workforce, concrete operating model risks and trade-offs and delivery implications.

• The session prompted greater emphasis on timely decision-making, clearer implementation sequencing and transparent communication of the risks to oversight, delivery and impact where resource allocation is driven by the US$930 million envelope.

Session outcome: The Working Group broadly welcomed the transparency of the pathway but challenged the Secretariat to more clearly articulate the trade-offs and strategic choices associated with Track 2, including their timing, implementation implications, and impact on people, capacity, and delivery. This discussion helped sharpen the framing for the Session 4 case studies.

Session 4: Using functional case studies to translate the affordability pathway into tangible trade-offs and strategic choices.

Working Group Discussions and Feedback

• Functional case studies illustrated the operational, workforce, oversight and delivery implications of operating within the US$ 930 million envelope, responding directly to the request for greater visibility on the consequences of different affordability scenarios.
• Members welcomed the analysis but cautioned against an overly risk-focused narrative that could imply that increasing the envelope was the only viable outcome. They asked for a more balanced presentation of choices, opportunities, trade-offs and consequences and called for an assessment to be performed by the Risk function.
• The discussion called for a more holistic approach to workforce planning and organizational design, moving beyond divisional reductions to the future operating model, organizational footprint and long-term workforce strategy.
• Members linked affordability choices to risk appetite and questioned whether efficiencies should continue through incremental reductions or require more fundamental decisions on activities, priorities and organizational scope.
• The country support discussion tested whether stronger country capacity and differentiated delivery models could support a smaller Secretariat footprint. The Secretariat noted that portfolio maturity varies and that large and complex portfolios continue to require substantial engagement.
• Members explored the contribution and limits of AI, automation, centralization, shared services and operating model changes, as well as the risks of reducing technical oversight, assurance and evaluation functions under more aggressive affordability scenarios.

How the session shaped the governance narrative on GC8 costing

• The session validated the use of case studies as an internal tool to stress-test affordability assumptions, while relying on Working Groups' feedback that the AFC and Board presentation would be more concise and choice-oriented.
• It refined the governance narrative toward informed strategic choices, linking the financial pathway to workforce design, delivery expectations, organizational scope and risk appetite.
• The feedback supported proceeding with the proposed 2027 budget while continuing to develop Track 2, informed by further work on workforce planning, transformation outcomes, AI-enabled efficiencies and the broader resource outlook.

Session outcome: The Working Group concluded that the final governance narrative should be balanced and forward-looking: the 2027 budget is a credible near-term step, while the three-year

pathway requires explicit choices on the operating model, risk appetite and delivery capacity. The Working Group supported the presentation of the proposed 2027 budget landing within the US$930 million OPEX envelope for AFC recommendation and Board approval in October 2026. The Working Group further recognized that any potential adjustments for 2028-2029 will require an integrated consideration of the financial trajectory together with the strategic choices, risks and trade-offs associated with delivering GC8 priorities under the US$ 930 million envelope in Track 2.

Annex 4 – Relevant past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/B55/DP04: Non-Global Fund Financed Procurement Policy and Financial Mechanism[5]	The Board affirmed that the Non-Global Fund Financed Procurement Mechanism will be funded through existing Secretariat resources and restricted financial contributions, with the aim that the NGFPM will become self-sustaining through a cost-recovery model to cover associated management and operating costs, and such costs shall not form part of the Global Fund's annual budget for operating expenditures.
GF/B54/DP04: Sources and Uses of Funds for the 2026-2028 Allocation Period[6]	The Board approved the allocation of Sources and Uses of Funds for the 2026-2028 Allocation Period, including the forecast of aggregate operating expenses for the 2027-2029 allocation utilization period.
GF/B36/DP04: Approval of the Amended and Restated Comprehensive Funding Policy[7] (November 2016)	Based on recommendation of the AFC, the Board approved changes to the Amended and Restated Comprehensive Funding Policy.

[5] https://www.theglobalfund.org/kb/board-decisions/b55/b55-dp04/
[6] https://www.theglobalfund.org/kb/board-decisions/b48/b48-dp04/
[7] https://www.theglobalfund.org/kb/board-decisions/b36/b36-dp04/

Annex 5 – Links to relevant Past Documents & Reference Material

- GF/AFC31/07A 2027 Workplan, Budget narrative and OPEX Budget *(write-up)*
- GF/AFC31/07B 2027 OPEX Workplan and Budget *(presentation)*
- GF/B55/04A GC8 (2027-2029) Strategy Costing *(presentation)*
- GF/B55/04B GC8 (2027-2029) Strategy Costing and OPEX Pathway *(write-up)*
- GF/AFC30/03 OPEX Strategy Costing
- AFC30 Meeting Report Final *(meeting notes)*
- GF/AFC28/10A OPEX Evolution and GC7-GC8 alignment proposal *(write-up)*
- GF/AFC28/10B OPEX Evolution and GC7-GC8 alignment proposal *(presentation)*
- GF/AFC18/03A New Strategy Costing methodology *(write-up)*
- GF/AFC18/03B New Strategy Costing methodology *(presentation)*
- AFC18 Meeting Report Final *(meeting notes)*