



Independent observer
of the Global Fund

Global Fund Operating Expenditure Budget 2022

Introduction

At the recently held 46th Board Meeting, the operating expenditure budget for 2022 totalling \$322.2 million was presented and approved. The budget was submitted to the Board in two separate parts (Part A, a text document, and Part B, a slide presentation), both titled “OPEX Evolution Budget 2022”. It is difficult to understand why there were two ‘parts’ when Part B provided a good deal of information and Part A only raises unnecessary questions.

Part B

It is helpful to start with Part B because this explains that the “Plan ceiling for 2020-2022 cycle has been increased by \$30 million bringing the OPEX cap to \$930 million.” The \$930 million comprises:

	\$ million
Actual expenditure in 2020	299
Estimated expenditure in 2021	309
Budget for 2022	322

The executive summary notes:

- Budget 2022 is aligned with ambition on OPEX rebasing and optimal rebalancing.
- Agile and rigorous allocation of resources along with strategic needs into Core Operations, Cyclical Enablers and Priorities.

These sentences do not appear to mean anything, and they certainly add nothing to the budget submission.

The first slide after the executive summary shows that, between 2011-2013 and 2020-2022, pledges have grown by 40% but operating expenses by only 6%.

On the next slide, the 2020-2022 totals are compared with 2017-2019 and show:

- A reduction of \$72.8 million on core operations expenditure to \$768.2 million, a reduction of 8.7% from 2017-19;
- \$80.3 million in tactical investments to enhance capabilities and deliver cyclical activities, from nil in 2017-19; and
- An increase of \$30.6 million on priority investments to \$81.6 million, up 60% from 2017-19.

The presentation goes on to explain that the extended plan ceiling of \$930 million supports investments in programmatic capabilities, digitalization, and external assurance:

Table 1. Extended Plan Ceiling

	2017-2019		Change	2020-2022
	\$ million	\$ million	\$ million	\$ million
Secretarial operational capabilities	463.7	9.8		453.9
Programmatic capabilities	80.6	+23.3		103.9
Organizational risk and assurance	57.5	1.2		56.3
Digitalization and information technology	107.0	+12.3		119.3
In-country and external assurance	183.1	+13.8		196.5
Total	891.9	+38.0		929.9

The next slide is confusing, with a heading that states: “Budget proposal considers activity shift from cyclical to core – Priority funding of \$27.4 million to accelerate strategic impact” and shows the following comparisons:

Table 2. Budget Comparison and 2022 Budget Composition

	2021	2022	Composition	\$ m
Budget Change			In-country and external assurance	65.5
	\$ m	\$ m	Digitalization and IT	35.1
Priority	29.0	-1.6	Organizational risk and assurance	22.6
Cyclical	40.3	+0.4	Programmatic capabilities	41.3
Core	245.6	+8.4	Secretariat operations	157.6
Total	314.9	+7.2	Total	322.1

What is the shift from cyclical to core? The reader has no idea.

This is followed by a breakdown of the budget totals by nature of expenditure:

Table 3. Proposed budget by expenditure, 2022

	Budget 2021 \$ million	Budget 2022 \$ million	Variance \$ million	%
Local Fund Agents fees	48.3	48.7	+0.4	+0.8
Country Coordinating Mechanism funding	9.5	9.8	+0.3	+3.2
Secretariat costs and OIG	250.9	260.8	+9.8	+3.9
Workforce	171.1	177.6	+6.5	+3.8
Staff	161.2	171.5	+10.3	+5.4
Individual consultants	9.9	6.0	- 3.8	-38.7
Professional fees	33.5	36.9	+3.4	+10.2
Travel	13.5	11.1	-2.4	-18.0
Meetings	2.6	3.2	+0.6	+22.3
Communications	1.5	1.5	- 0.1	- 4.4
Office infrastructure	21.5	23.2	+1.8	+8.3
Board constituency	1.6	1.6	-	-
Depreciation	5.6	5.6	-	-
External co-funding	-	-	-	-
Total before non-recurring costs	308.7	319.2	+10.5	+3.4
Recurring costs	6.3	2.9	- 3.3	-53.4
Total Operating Expenditure	315.0	322.2	+7.2	+2.3

Several more budget analyses are provided including COVID-19 (C19) management and operating costs.

Having looked at Part B, we turn now to Part A and wonder what this really adds.

Part A

The 2022 budget breakdown by major categories is set out in Annex A of Part A but these are not fully consistent with the Part B data.

A note explains that the workforce budget for 2022 is \$173.6 million compared to \$166.0 million budgeted for 2021. Part of the explanation for this is "An increase is impacted by operationalization of reorganization measures and related re-classification of expenses from non-recurring cost to staff cost in Budget 2022." Any the wiser?

In the description provided in the section on Organizational Priorities and Budget 2022, the reader is informed that the budget includes \$65.5 million for in-country and External Assurance and \$14.9 million for

the Office of the Inspector General. The reader of Part A can only assume that these costs are included in the Workforce total whereas the tables in Part B are much more informative.

The notes also include long explanations about priorities that are unclear: “Initial requests for priority funding of \$ 45.1 million far exceeded the level of priority budget available for allocation in 2022.” ... “Ultimately, \$ 27.5 million has been allocated to the six priorities as follows:”

Table 3. Priorities for 2022

	\$ million
(a) Achieve results in HIV, TB and malaria	4.8
(b) Mitigate the impact of COVID-19	0.0 (no, this is not an error)
(c) Drive efficiency and effectiveness	14.0
(d) Invest in people	1.5
(e) Prepare to implement the next Strategy	2.8
(f) Deliver the 7th Replenishment	3.9
Total	27.5

As you can see, the amount for (c) is shown as nil and the total of (a) to (f) is \$27.0 million. This is confirmed if one refers to slide 14 of Part B where it lists a 7th priority, “Not aligned to priority”, of \$0.5 million, bringing the total to \$27.5 million. The long description of activities under (a) makes one wonder how so much will be done with a mere \$4.8 million. Again, where are these priorities in the major budget categories? Also, note the reference to ‘priority budget available’. Where did that originate? because it appears to have been set/approved prior to selecting the priorities.

In summary, these reports are still confusing to both the layman and the accountant.

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