



Independent observer  
of the Global Fund

## BOARD APPROVES 2018 GLOBAL FUND OPEX BUDGET OF \$312 MILLION

The Global Fund Board approved a 2018 operating expenses (OPEX) budget totaling \$312.0 million. This is \$12.0 million higher than the 2017 OPEX budget. The additional \$12.0 million represents a one-time expense for the planned move of the Fund's offices to the Global Health Campus in Geneva in 2018 (see [separate article](#) in this issue on the Report of the Executive Director). See the table below for a breakout of the 2018 OPEX budget by function.

At the same time, the decision re-affirmed the Board's commitment to keep total operating expenses for 2017-2019 within a \$900 million ceiling, and asked the Secretariat to do a comprehensive review of the 2019 operating expenses budget. Translation: Find \$12.0 million in savings in the 2019 budget.

However, the Board asked the Secretariat to also do a comprehensive review of "the operating expenses required to meet the Global Fund's strategic objectives." This refers to a review that the Secretariat has already started, as part of the transition to the new executive director, Peter Sands, designed to present options to the E.D. for ensuring optimal alignment of human and financial resources to maximize impact against the objectives of the 2017-2022 Strategy. Translation: Maybe this comprehensive review will reveal where some savings can be achieved.

The \$12.0 million one-time cost presents the Global Fund with a significant headache. The \$900 million for 2017-2019 works out to \$300 million a year (on average). Final expenditures for 2017 are expected to come in at \$300 million. That means that if the Fund is going to find \$12.0 million in savings, they will have to come from either the 2018 or 2019 budgets.

The Secretariat said achieving \$12.0 million in savings from the 2018 budget would be very challenging

because discretionary expenses (i.e., travel, meetings and professional fees) have already been carefully reviewed through the 2016 zero-based budgeting exercise and “there is limited scope for further savings without undermining the Secretariat’s ability to deliver upon the mission of the organization.”

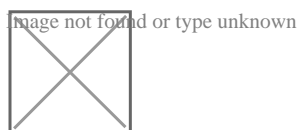
Table: 2018 OPEX budget by function (\$000s)

|                                     |        |  |         |
|-------------------------------------|--------|--|---------|
| <b>General Management</b>           |        |  |         |
| Office of the ED/DED                |        |  | 6,051   |
| Operations                          |        |  |         |
| External Relations and Partnerships |        |  | 10,518  |
| Grant Management                    |        |  | 135,483 |
|                                     | 48,300 |  |         |
| LFA                                 |        |  |         |
| CCM                                 | 9,500  |  |         |
| Opex                                | 77,683 |  |         |
| Strategy Investment & Impact        |        |  | 24,303  |
| Support Functions                   |        |  |         |
| Communications                      |        |  | 6,284   |
| Human Resources                     |        |  | 7,280   |
| Legal & Compliance                  |        |  | 4,867   |
| Risk Management                     |        |  | 3,917   |
| Finance, IT, Admin, Sourcing        |        |  | 72,946  |
| OIG                                 |        |  |         |
| Office of Board Affairs             |        |  |         |
| Non-recurring Costs                 |        |  |         |
| Health Campus                       |        |  |         |
| <b>TOTAL</b>                        |        |  |         |

Additional efficiencies could only be achieved, the Secretariat said, by scaling back on priorities or critical enablers to the delivery of strategic objectives, cutting functions or level of service currently performed by the Secretariat or the Office of the Inspector General, or finding new sources of funding for activities currently under OPEX (e.g., funding for country coordination mechanisms, which would free up \$9.5 million).

The Secretariat also said that “the need for Board Committee recommendations and Board level approval, the lag time in the implementation of such decisions, and the related one-off transition costs will further delay the realization of savings beyond the considered one-year time horizon.” Translation: It’s too late now to identify and agree on \$12.0 million in savings in the 2018 OPEX budget and expect to completely realize those savings in 2018.

Chart: OPEX growth since 2002 (\$ millions)



Source: 2018 Corporate Work Plan and Budget Narrative

However, the Secretariat also said that trying to achieve \$12.0 million in savings from the 2019 budget would present many of the same challenges. In addition, in 2019 there is a replenishment conference and a partnership forum planned. Nevertheless, finding the savings in the 2019 budget appears to be what the

Board is asking the Secretariat to do. Caveat: Given that the over-riding consideration is to keep 2017-2019 expenditures within the \$900 million ceiling, it should be okay if the Secretariat finds some of the necessary savings in 2018 and some in 2019.

Note that although the move to the Global Health Campus involves considerable outlays initially, the Secretariat says that the move will generate savings such that it will pay for itself within five years.

Until 2012, when it peaked at \$355.7 million, the operating budget had risen steadily each year. However, since 2013, it has been almost flat, around \$300.0 million a year (see chart).

At \$135.5 million, the costs of the Grant Management Division represent 44% of the 2018 OPEX budget. The budget includes \$15.9 million for the Office of the Inspector General, and \$5.6 million for the Office of Board Affairs. At \$9.5 million, the budget for country coordinating mechanism costs is down 10% from estimated expenditures for 2017. And, at \$48.3 million, the budget for local fund agent costs is down 5% from estimated 2017 expenditures.

The Board also approved the 2018 Corporate Work Plan and Budget Narrative.

Board Documents GF-B38-04A Operating Expense Budget 2018 and GF-B38-04B Corporate Work Plan 2018 should be available shortly at at [www.theglobalfund.org/en/board/meetings/38](http://www.theglobalfund.org/en/board/meetings/38).

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