



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Sixteenth Board Meeting
Kunming, China, 12 – 13 November 2007

GF/B16/8
Attachment 1

**COSTING OF ALTERNATIVE ADMINISTRATIVE ARRANGEMENTS
FOR TRANSITION FROM THE ADMINISTRATIVE SERVICES AGREEMENT
WITH THE WORLD HEALTH ORGANIZATION**

Outline: Further to the decision of the Fifteenth Board Meeting, this document presents cost estimates and timelines for the transition of the Global Fund from the current Administrative Services Agreement (ASA) with the World Health Organization (WHO).

PART 1 – OVERVIEW

1. Since it was established in 2001, the Global Fund's financial and administrative systems have been managed under an Administrative Services Agreement (ASA) with the World Health Organization (WHO).
2. At its Fifteenth Board Meeting in Geneva, the Board asked the Secretariat to proceed with the negotiation and costing of alternative administrative arrangements to those currently in place under the ASA, as described in detail in the Report of the Finance and Audit Committee to the Fourteenth Board Meeting (GF/B14/9). A fully costed implementation plan for the transition is to be presented by the FAC for Board decision at the Sixteenth Board Meeting.
3. Decisions of the Fourteenth and Fifteenth Board Meetings follow:

Fourteenth Board Meeting:

The Board endorses Part 1 of the Report of the Finance and Audit Committee (GF/B14/9), and, accordingly, decides to engage in the necessary preparations to discontinue its present Administrative Services Agreement (ASA) with the World Health Organization after appropriate preparations for administrative independence have been made.

The Board accordingly requests the FAC to work with the Secretariat to present for approval a detailed plan covering such preparations at the April 2007 Board Meeting. The plan shall include proposed measures to be taken prior to termination of the ASA, their costs, and the timeline over which they are intended to occur, and steps to be taken that would safeguard the interests of staff as outlined in paragraph 11 of GF/B14/9. The plan shall be consistent with the principles set forth in GF/B14/9. The Board will make its final decision at the April 2007 Board meeting.

Fifteenth Board Meeting:

The Board notes the progress made to date, and authorizes the Secretariat, under the oversight of the Finance and Audit Committee, to proceed with the negotiation and costing of the remaining alternative administrative arrangements as described in detail in the Report of the Finance and Audit Committee to the Fourteenth Board meeting (GF/B14/9).

The Board authorizes the Secretariat to pursue the most beneficial arrangement for providing pension services to the staff. The Board recognizes the need to provide support to these negotiations.

The Board requests the FAC to present the final fully costed implementation plan for decision of the Board at the Sixteenth Board Meeting.

4. A crucial step for the Board in establishing independent administrative processes will be the development of human resource policies which: (i) attract talented professionals seeking to work with one of the premier agencies in global health as part of their career; and, (ii) ensure parity of benefits for existing staff under any new administrative arrangement. Long-term principles that the Global Fund should adopt as an employer in the design of its compensation and benefits package and other terms and conditions of employment and termination are summarized under four principles: performance based, career enhancing entity, safeguarding the interests of staff, and promoting teamwork. These are described more fully in Appendix I.

5. In elaborating the Transition Plan, consultants and the Secretariat reviewed the different types of pension plans available and concluded that a cash balance plan is optimal. This recommendation requires Board approval and a further decision regarding the extent to which the pension fund's accumulation rate will be guaranteed. The consultants also concluded that there is no pension fund completely comparable to the United Nations Joint Staff Pension Fund (UNJSPF) because of various characteristics which are no longer offered. It is also clear that the Global Fund cannot begin discussions for the transfer of funds from the UNJSPF until it has established a suitable pension fund for its staff. The negotiations required to complete the transfer process will take a year and could require up to US\$ 12 million to ensure that staff maintain the value of their contributions.

6. In the first year (2008), apart from the ASA, which is estimated at US\$ 2.5 million, there will be a one-time set up cost of US\$ 6.4 million which will be incurred in developing policies and processes, and designing and implementing systems to support Phase I (HR, Contracts, Travel, Finance) of the Transition Plan. It is also estimated that the cost of withdrawing out of the UNJSPF could total up to US\$ 12 million. Based on findings from requests for proposals to secure insurance coverage, travel security services, the travel and visa program, and other administrative arrangements, running costs are estimated at about US\$ 5 million per annum. This will be partly offset by the ASA costs that would otherwise have been incurred which are projected to grow to US\$4.5 million per year by 2012.

7. However, actual costs will emerge before the March 2008 FAC Meeting as contracts are issued for each of the administrative functions and a full review of human resource policies is completed. The FAC and Secretariat do not anticipate significant adjustments to the costs of the Transition Plan for approval at the Sixteenth Board Meeting. The FAC will advise the Board of any increases or decreases through each phase of implementation. The human resource policies will be integrated during the calendar year under a comprehensive Global Fund administrative information system, which will facilitate data-warehousing and analytical reporting.

8. Part 2 summarizes the transition from the ASA.

PART 2: THE TRANSITION FROM THE ASA

1. The FAC recommends that the Global Fund request an extension of the ASA with the WHO until December 31, 2008. This period will allow the Global Fund to effect a smooth transition from the ASA, enabling the Secretariat to design and establish its own policies and procedures and integrate its information systems in a measured fashion with the least possible disruption to its work and productivity. This timing will also allow the Secretariat to communicate the benefits package to staff.

2. In this period, the Secretariat will coordinate with other agencies such as the Global Alliance for Vaccines and Immunization (GAVI) and explore possible common administrative arrangements.

3. The Global Fund will prepare to hire its own staff as of January 1, 2009. As of this date, the employees of the Global Fund will continue to enjoy Privileges and Immunities (P&I) under the following agreements: (i) The Global Fund Headquarters Agreement with the Swiss Government; and, (ii) the U.S. International Organizations Immunities Act of 1945 through a U.S. Presidential Executive Order. Other global P&Is afforded the Global Fund under the administrative agreement will be discontinued. This will generate tax equalization costs discussed below.

4. **Tax Equalization.** The transfer of all employees' contracts to the Global Fund will imply that all the specific tax and social agreements negotiated by the WHO world-wide will no longer apply.

The Headquarters Agreement mentioned above, provides for: (i) a Swiss tax exemption on all remuneration paid by the Global Fund to its foreign born employees, which does not apply to Swiss nationals; and (ii) an exemption from Swiss social security contributions for all employees, whatever their nationality.

5. Consultants have reviewed the existing situation and suggested the implementation of a solution that would not be detrimental to employees' existing terms of engagement. However, there could be some tax implications for employees who are: (i) Swiss nationals who live in Switzerland (Swiss tax residents); (ii) cross-border employees, who live in France, and work in Geneva (Frontaliers); and, (iii) US citizens and green card holders subject to worldwide taxation. The implementation of the new structure will not have any social security implications for employees.

6. In the absence of any further tax dispensations by the Swiss government, and as discussed in the FAC prior to the Fifteenth Board Meeting, it is anticipated that all staff in categories (i) and (iii) will be fully compensated for income taxes payable. With respect to staff in category (ii), the FAC and Secretariat recommended treating this category of staff in the same fashion as categories (i) and (iii) above (i.e. they will be fully compensated for income taxes paid). This policy, related to category (ii), only applies to current staff of the Global Fund as new staff hired will be fully able to make living decisions based on the new paradigm.

7. The FAC recommends a grandfathering agreement for current staff which will phase out with the turnover of current Global Fund Staff, which a maximum **total cost of US\$ 2 million per annum**. Tax equalization will not be available to new staff hired as they will be fully able to make living decisions based on the new paradigm.

8. **Costs.** In the first year (2008), apart from the ASA, which is estimated at US\$ 2.5 million, costs will be incurred in establishing the pension plan, developing HR, financial and administrative policies, and completing Phase I (HR, Contracts, Travel, Finance). The preparation of new compensation, recruitment, and travel policies and procedures, under the umbrella of a long-term HR strategy, the design and implementation of new information systems, staff training and consideration of issues relating to the privileges and immunities enjoyed by the Global Fund and its staff, are estimated at a one-off set up cost of US\$ 6.4 million. The potential cost of transferring to the Global Fund pension fund could be up to US\$ 12 million. In addition, annual running costs will amount to US\$ 5 million per annum. This will be partly offset by the ASA costs that would otherwise have been incurred which are projected to grow to US\$ 4.5 million by 2012.

9. Of the *one-time costs*, the largest is expected to be the transfer gap upon leaving the UNJSPF. While there is no pension fund completely comparable to UNJSPF, it is clear that the Global Fund cannot begin discussions for the transfer of funds from the UNJSPF until it has established a suitable pension fund for its staff. The negotiations required to complete this process will take a year and could require up to US\$ 12 million to cover the cost of the transfer gap and to ensure that staff retain the benefit of contributions already made.

10. To start this process, consultants and the Secretariat reviewed: (i) the list of current staff and their pensionable salaries and recommended that the Global Fund create its own pension fund upon ending the staff contracts with WHO; and (ii) the different types of pension plans available and concluded that a cash balance plan is optimal. This recommendation requires a decision from the Board in November 2007. A separate decision regarding the extent to which the pension fund accumulation rate will be guaranteed will be required in April 2008.

11. From years 2009 through 2012, running costs are estimated at about US\$ 5 million per annum. These costs include tax equalization costs referred to above (US\$ 2 million) as well as outsourced services in areas such as Insurance, Travel Security, Travel and Visa program,

Pension administration, and IT related costs. These services will replace those currently being provided by WHO and will safeguard the interests of the staff. The costs of the ASA, were it not discontinued, are projected to grow to US\$ 4.5 million by 2012.

12. All costs and timelines are detailed in Appendix 1.

PRINCIPLES, PROCESSES AND TIMELINES FOR THE TRANSITION FROM THE ADMINISTRATIVE SERVICES ARRANGEMENT WITH THE WHO

PART 1: PRINCIPLES OF THE GLOBAL FUND AS AN EMPLOYER

1. In consideration of the Board's decision to discontinue the Administrative Services Agreement (ASA) with the World Health Organization (WHO), this Appendix provides the principles, costs and timeline to effect the transition by **December 31, 2008**. Also provided is a note on selecting a pension scheme for the Global Fund (Appendix 2). A crucial step for the Board in establishing independent administrative processes will be the development of human resource policies which: (i) are attractive for talented professionals seeking to work with a premier agency in global health as part of their career; and, (ii) ensure parity of benefits for existing staff under any new administrative arrangements. Long-term principles that the Global Fund should adopt as an employer in the design of its compensation and benefits package and other terms and conditions of employment and termination are summarized under four principles: performance based, career enhancement entity, safeguarding the interests of staff, and promoting teamwork.

Performance based

2. The Global Fund is built on the principle that the availability of funding is determined by results. Stakeholders have a right to expect a similar level of performance evaluation of staff within the Secretariat. The approach currently being developed for performance assessment of staff emphasizes: (i) the cascading of organizational Key Performance Indicators (KPI) to unit, team and individual level; and (ii) adherence to a set of core competencies linked to Global Fund values which all staff members will be expected to demonstrate in their everyday interaction. These two components of staff performance assessment will align with the Global Fund's objectives of requiring proven effectiveness and impact and rewarding performance with a merit-based approach to staff review.

Career enhancing

3. The organizational and employment-related characteristics that will drive a results-oriented approach include a challenging environment with clear objectives and success measures evidenced by: creating and maintaining opportunities for fast professional growth in an organization that forms one element of a career that may involve several employers; high levels of personal initiative; low hierarchical complexity; grading and remuneration systems that facilitate hiring the best and which promote effort and achievement; administrative systems that promote flexibility and facilitate rapid growth; few, but important rules that are universally respected; and consistent competencies and behavioral norms in the workforce.

4. The organization should attract people that combine technical skills with diversity of previous employment and national and personal backgrounds that will serve the organization well operationally. The characteristics of those the Global Fund seeks to hire can be summarized as: (i) talented career-oriented professionals; (ii) adding to both a professional and personal diversity in the workplace; and, (iii) people seeking a significant professional development step in a multi-organizational career. The Global Fund will hire talent into a relatively flat organizational structure. Therefore, in view of the more restricted formal career progression options, the opportunity for skills development through work with the Global Fund, including lateral movement within the Secretariat and training will assume greater importance. These areas are being further considered in the context of the performance management project to be launched in the Global Fund in January 2008 and the Human Resources framework to be developed as a priority.

Safeguarding the interests of staff

5. The implementation of new administrative systems and policies for the Global Fund will not require breaking new ground in terms of best practices. The solutions may feel “new and radical” from the perspective of the Global Fund today, but they are practices regarded as “mainstream” in many organizations. For example, benefits like pensions and healthcare need to be easily portable from one organization or country to another. Advertising and recruitment processes need to focus on identification of the best people available in a fair and transparent manner. Replacing the WHO administrative system should result in well thought-through principles and requirements that are consistently implemented, with a clear understanding that staff interests are safeguarded.

6. This principle has guided the decision points already put forth in the Transition Plan. For example, a cash balance pension scheme, with survivor benefits and other safeguards, is being proposed (see Attachment 1); health and other insurances will maintain or improve the coverage currently provided and will simplify the insurance structure to allow clearer understanding of benefits, processes and limitations. The Secretariat is further charged with developing policies and implementing strategies that would mitigate the effects of losing the privileges and immunities that the Global Fund and its staff currently enjoy outside Switzerland through the WHO relationship. The Secretariat will pay particular attention to the safeguard of its staff’s security and facilitation of movement in new travel arrangements incurred by the discontinuation of the ASA with WHO.

Promoting teamwork

7. To be successful the organization needs a clearly articulated culture and set of values that drive the organization’s required behaviors and strive to create a consistent and mutually supportive working environment. If the talented individuals that the Global Fund seeks to attract are to work together as quality teams, strong and consistent behavioral norms need to be established and reinforced, requirements have to be explicit, and appropriate behaviors rewarded and negative behaviors discouraged. These norms will be stressed and strengthened through the leadership and management program that will commence in January 2008.

8. In the context of these principles, a full review of human resource policies and a fine tuning of administrative and financial policies will be conducted before the March 2008 FAC Meeting. These policies will also form the basis for the design of information systems in the Global Fund, which will facilitate data-warehousing and analytical reporting. The FAC and the Secretariat do not anticipate significant adjustments to the costs of the Transition Plan for approval at the Sixteenth Board Meeting. The FAC will advise the Board of any cost increases or decreases through each phase of implementation.

PART 2: COSTS AND TIMELINE

Set-up Costs

9. In the first year (2008), apart from the costs of one year of the ASA with WHO, costs will be incurred in establishing the pension plan, developing HR, financial and administrative policies, and completing Phase I (HR, Contracts, Travel, Finance). The preparation of new compensation, recruitment, and travel policies and procedures, under the umbrella of a long-term HR strategy; the design and implementation of new information systems; staff training and consideration of issues relating to the privileges and immunities enjoyed by the Global Fund and its staff; are

estimated at a one-off cost of US\$ 6.4 million (see Table 1). The potential cost of transferring to the Global Fund pension fund could be up to US\$ 12 million (see section below).

- i. **Pension.** Consultants and the Secretariat reviewed both the list of current staff and their pensionable salaries and recommended that the Global Fund create its own pension fund as well as the different types of pension plans available and concluded that a cash balance plan is optimal. There is a general trend in both the private and public sectors to move from **defined benefit** towards **defined contribution** or **cash balance plans**.
- ii. A **defined contribution** plan, comparable to the 401(k) plan in the United States, is not an attractive option under the principle that staff interests will be safeguarded in this transition. Absent a guaranteed rate, staff assume 100% of the risk.
- iii. Given that the Global Fund has a young population (76% of total is less than 45 years old) **cash balance** plans are considered to be more appropriate in these circumstances, as they provide a great degree of transparency with respect to termination benefits.
- iv. The UNJSPF, a **defined benefits** fund, was established by the UN General Assembly in 1949 to provide statutory benefits (e.g., retirement, death, disability and survivors benefits) for staff of the UN and the other organizations admitted to membership in the Fund. Under a defined benefit plan the employer assumes all risk related to the pension benefits of its employees. The consultants concluded that there is no pension fund completely comparable to UNJSPF because of various characteristics which are no longer offered. Most organizations now offer defined contribution or cash balance schemes rather than defined benefit schemes. It is also clear that the Global Fund cannot begin discussions for the transfer of funds from the UNJSPF until it has established suitable pension fund for its staff.
- v. A cash balance option using an autonomous foundation, created by the Global Fund, is an appropriate financing vehicle because it allows the flexibility to design a plan that retains many of the benefits of the UNJSPF. To safeguard the interests of the staff, it is proposed that the new pension scheme combine a cash balance option with benefits normally offered under a defined benefits scheme (for instance in the case of disability or survivors benefits). The current 23.7% overall contribution rate to the pension scheme, (7.9% for employee and 15.8% for employer) should in principle be maintained, subject to actuarial evaluation of the various options to be selected for the pension scheme under cash balance. A complete plan, based on actuarial calculations will be submitted for FAC approval in March 2008.
- vi. The recommendation of the type of pension fund (cash balance) requires a decision from the Board in November 2007. A separate decision will be required in April 2008 regarding the extent to which the pension fund's accumulation rate will be guaranteed. **The estimated annual costs are estimated at US\$ 0.2 million for administration and a one-off cost of US\$ 0.2 million to set up and design the new pension scheme. The establishment time is eight months.**
- vii. **Estimate of the Pension Transfer Gap.** Based on the individual accounts reserve for the Global Fund staff as of December 31, 2006, the total contribution (employer and employee) was estimated at about US\$ 17 million. This amount also includes the statutory interest of 3.25% a year. This amount will increase in 2008 as new hires, with WHO contracts, would have to join the UNJSPF.

- viii. Under the present UNJSPF regulations, no transfer agreement is foreseen between the UNJSPF and a newly created pension fund for the Global Fund staff. Staff would only be entitled to receive benefits either in the form of pension or a benefit under the withdrawal provisions. Given the fact that the majority of the Global Fund staff have a very limited number of contributory service (90% of the staff has less than 5 years), they would be entitled only to the individual contribution plus interest. This was estimated at slightly above one-third of the total contribution or about US\$ 6 million. A special transfer agreement will be sought to benefit the Staff. **The negotiations required to complete this process will take a year and could require up to US\$ 12 million by end of 2008 to ensure that staff retain the value of contributions already made.**

Recurring Costs

10. Annual running costs will amount to US\$ 5 million per annum (see Table 1). This will be partly offset by the ASA costs that would otherwise have been incurred which are projected to grow to US\$ 4.5 million per year by 2012. Below are detailed cost estimates based on replies to the Secretariat's Requests for Proposals.

- i. **Insurance:** The objectives are to maintain or improve the coverage provided by WHO; minimize the organization's financial exposure; optimize the level of premiums for the employee and employer; simplify the insurance structure, and reduce the administrative burden. The provision of group health and other insurances would take six to nine months to set-up. A one-off cost fee of US\$ 0.1 million is provided for setting up this scheme.
- ii. **Travel Security:** The nature of the Global Fund's work requires its staff to visit and work in moderate and high security risk countries. In managing its own travel risks, the Global Fund should adopt procedures comparable to other humanitarian and development organizations. Accordingly, the Global Fund has explored private provision of a package similar to that provided by WHO. The estimated annual costs are about US\$ 0.4 million with six to eight weeks required to establish the service and develop the on-line tools.
- iii. **Travel Program:** Upon separation from the WHO, the Global Fund would need to establish its own travel management program, define new travel and expense policies, negotiate route deals for the most frequent destinations, and maintain flexibility in terms of ticket changes and cancellations. The Global Fund would sub-contract all its travel arrangements, including all visa requests. The total annual costs based on actual and projected activity is estimated at US\$ 0.4 million, including all visa processing costs.
- iv. **Tax Equalization.** The termination of the ASA and the transfer of all employees' contracts from WHO to the Global Fund, as a Swiss legal entity, will mean that staff will no longer be exempt from paying tax and social benefit payments in countries that have ratified the Convention on the Privileges and Immunities of the Specialized Agencies or that have concluded Basic Agreements with WHO. Consultants have reviewed the existing situation and suggested the implementation of a solution that would not be detrimental to employees' existing terms of engagement. The Headquarters Agreement (concluded on December 13, 2004 between the Swiss Federal Council and the Global Fund) provides for: (i) a Swiss tax exemption on all remuneration paid by the Global Fund to its non-Swiss employees residing in Switzerland; and (ii) an exemption from Swiss social security contributions for all employees, whatever their nationality. In view of the foregoing, there would be tax

implications for employees who are: (i) Swiss nationals who live in Switzerland (Swiss tax residents); (ii) cross-border employees, who live in France, and work in Geneva; and, (iii) and US citizens and green card holders subject to worldwide taxation.

- v. In the absence of any further tax dispensations by the Swiss government, and as discussed by the FAC prior to the Fifteenth Board Meeting, it is anticipated that all staff in categories (i) and (iii) will be fully compensated for income taxes payable. With respect to staff in category (ii), the FAC and the Secretariat recommended treating this category of staff in the same fashion as categories (i) and (iii) above (i.e. they will be fully compensated for income taxes paid). This policy only applies to current staff of the Global Fund. The FAC recommends a grandfathering agreement for current staff which will phase out with the turnover of current Global Fund Staff, with a maximum total cost of US\$ 2 million per annum. Tax equalization will not be available to new staff hired as they will be fully able to make living decisions based on the new paradigm.

Timelines

11. There are two timelines: (i) pension, administrative, and employment arrangements; and (ii) information systems.

12. The development of HR policies and processes and the establishment of a travel program, travel security and provision of health and other insurances will be completed by March 2008, for review at the FAC Meeting (see Table 2, Timeline I).

13. To withdraw from the UNJSPF, the Global Fund staff must do so through the WHO. Specific steps are as follows (see Table 2, Timeline I):

i. Between now and June 2008

- (a) Notify the UNJSPF through the WHO, that the GF wishes to withdraw from participation in the UNJSPF;
- (b) Create Pension Board (on a parity basis between staff and management);
- (c) Establish Pension fund, after FAC March 2008 meeting;
- (d) Prepare communications to the staff and advise staff on pension options to be offered by the Global Fund following withdrawal from the UNJSPF; and,
- (e) Obtain consent for the transfer of funds into the new pension scheme from each individual staff member.

ii. Between July and December 2008

- (a) Credit pension scheme with staff's entitlements.
- (b) Upon successful completion of points included in (i) above, submit to UNJSPF Board.
- (c) UNJSPF Board meets in July 2008 and makes its recommendation to the UN General Assembly.
- (d) UN General Assembly meets in December 2008.

14. The move to the WHO GSM (Global Management System) and the design of the Information Systems will be carried out as follows (see Table 2, Timeline II).

i. Between now and June 2008

- (a) RFP for HR/IT design consultants issued November 2007;
- (b) Consultants appointed January 2008;
- (c) Enterprise Resource Planning (ERP) requirements gathered March 2008
- (d) GSM starts March 2008.

ii. **Between July and December 2008**

- (a) ERP system designed July 2008.
- (b) ERP built November 2008.
- (c) ERP systems tested November/December 2008.

Table 1: Cost Estimates (through 2012)

Transition Costs (Estimate)

2008-2012

US\$

	Notes	Set-up Costs		Running Costs					Staff
		2008	Staff	2009	2010	2011	2012	Total	
		\$m		\$m	\$m	\$m	\$m	\$m	
Set-Up Costs (one-time)									
Pension	1	Up to 12.0							
Development of policies and processes	2	1.6							
IT system (ERP)	3	4.8	7						
		6.4							
Total Set-Up Costs		Up to 18.4	7						
<i>For set-up only</i>									
Recurring costs:	4								
Tax equalisation including annual running costs				2.0	1.9	1.8	1.7	7.4	
<u>Outsourced Services:</u>			\$2.1						
Payroll processing			\$0.1	2.1	2.1	2.1	2.1	8.4	
Pension administration			\$0.2						
Insurance			\$0.1						
Travel services			\$0.4						
Staff security			\$0.4						
Ombudsman			\$0.2						
ERP Hosting			\$0.2						
Software and training updates			\$0.2						
IT helpdesk for ERP			\$0.3						
<u>Internally resourced:</u>									
Own staff for ERP support, HR & Payments and management of outsourced tasks			\$0.9	0.9	0.9	0.9	0.9	3.6	5
Total Running Costs				5.0	4.9	4.8	4.7	19.4	5
less: Projected ASA fee	5			-2.8	-3.2	-3.8	-4.5	-14.3	
Incremental Running Costs				2.2	1.7	1.0	0.2	5.1	5

Assumptions:

For the purposes of this estimation, it is assumed that total employer contributions to health insurance and pensions remain materially unchanged post transition.

Note 1

The amount of the pension one-off charge will be determined by the element of the money already paid into the UNJSPF over the years preceding departure from that fund that The Global Fund will succeed in recovering for transfer to the new Global Fund Pension Fund. On the basis of consultant's opinion and a \$17m contribution as of 31 December 2006, it is estimated that at least \$6 million will be recovered, leaving an \$11m transfer gap. This gap is estimated to increase to \$12m by 2008.

Note 2

	\$m
Development of Policies and Procedures for HR, purchasing travel, accounts payable, bank & cash, general ledger	\$0.4
Setting up Pension fund	\$0.2
Setting up Health Insurance scheme	\$0.1
Project Management costs	\$0.9
	\$1.6

Note 3

	\$m
ERP licenses	\$0.5
Hosting during development	\$0.4
External resources for configuration	\$2.6
Own staff engaged in ERP definition, configuration & testing	\$1.3
	\$4.8

Note 4

Tax equalization charge reduces over time, reflecting staff leaving (8% per year) who were taken up in the original grandfathering arrangement.

Note 5

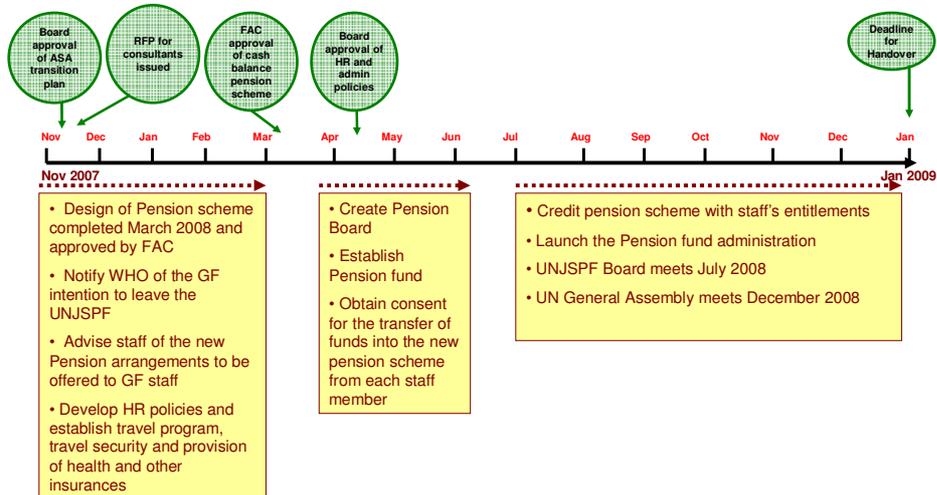
Projected ASA fee increases annually based on 5% increase of WHO fixed costs, plus variable elements driven by TGF staff numbers. ASA fee for 2008 is estimated to be \$2.5m.

Table 2: Timelines

Timelines for:

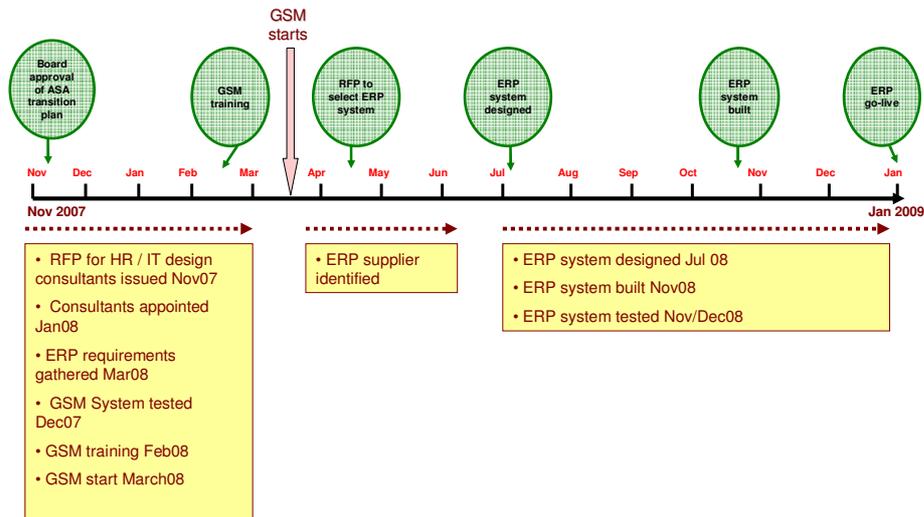
I. Pension, Administrative and Employment Arrangements

Transition completed by 31 December 2008



II. Information Systems

Transition completed by 31 December 2008



The Global Fund Pension Plan

1. Upon termination of the ASA and administrative separation from the WHO, Global Fund staff will no longer be entitled to participate in the UNJSPF. The Global Fund will therefore establish its own pension scheme. Further to the decision at the Fifteenth Board Meeting, any option selected will have to “safeguard the interests of the staff”. Based on recommendations from consultants and Secretariat, the FAC recommends a cash balance option scheme to guide the design of the pension plan and presents the estimate of the transfer gap.

Recommendation of a cash balance plan

2. There is a general trend in both the private and public sectors to move from **defined benefit** towards **defined contribution** or **cash balance plans**. This option limits the risk exposure of the employer as the employer’s risk can be controlled by making the interest rate credited to the retirement accounts dependant on the actual investment return of the fund while still providing assurance to the employee of a certain return on their retirement contributions.

3. A **defined contribution** plan, comparable to the 401(k) plan in the United States, is not an attractive option under the principle that staff interests will be safeguarded in this transition. Absent a guaranteed rate, staff assume 100% of the risk.

4. On the other hand, as the Global Fund has a young population (76% of total is less than 45 years old), **cash balance** plans are considered to be more appropriate in these circumstances. These plans provide a great degree of transparency with respect to termination benefits (see Table 1 below).

5. The UNJSPF, a defined benefits fund, was established by the UN General Assembly in 1949 to provide statutory benefits (e.g., retirement, death, disability and survivors benefits) for staff of the UN and the other organizations admitted to membership in the Fund. Under a defined benefit plan the employer assumes all risk related to the pension benefits of its employees.

6. A cash balance option using an autonomous foundation, created by the Global Fund, is an appropriate financing vehicle because it allows the flexibility to design a plan that retains many of the benefits of the UNJSPF. To safeguard the interests of the staff, it is proposed that the interest credits to the retirement account be guaranteed at a minimum yield of 4%. A combination of a cash balance option with benefits normally offered under a defined benefits scheme (for instance in the case of disability or survivors benefits) may also be a suitable option. The current 23.7% overall contribution rate to the pension scheme, (7.9% for employee and 15.8% for employer) should in principle be maintained, subject to actuarial evaluation of the various options to be selected for the pension scheme under cash balance. A complete plan, based on actuarial calculations will be submitted for FAC approval in March 2008.

Table 1: Types of Benefit Plans

Consideration	Defined Benefit Plan	Defined Contribution Plan	Cash Balance Plan
Amount of Benefit	Determined by formula	Not predetermined	Determined by formula
Individual Accounts	No	Yes	Yes, but notional accounts
Typically provides lump sum benefits?	Some – up to 1/3 of pension benefits	Yes	Some
Appeals to	Older, longer-service employees	Younger, shorter-service employees	Younger, shorter-service employees
Investment risk borne by	Employer/Fund	Employee	Employer/Fund/Employee
Pre retirement inflation risk borne by	Employer	Employee	Employee
Flexibility in funding	Yes	No	Yes
Volatility of cost	Yes	No, except in profit sharing	Some
Funded Status	May be under-funded or over-funded	Always fully funded	May be under-funded or over-funded
Employee perception	Good protection upon retirement, more difficult to understand	Easier to understand, but not good protection at retirement	Easier to understand, but not good protection at retirement
Features	Can include early out subsidies and windows, pension indexation	Can include loans and withdrawals. Diversified investment options	Can include early out subsidies and windows, pension indexation (unless lump sums paid)
Requires actuarial valuations	Yes	No	Yes

BUDGET 2008 – FURTHER DETAILS

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Part 1: Unit Summaries

This document provides a one-page summary of the budget proposed for 2008 for each functional Unit of the Secretariat, as currently structured¹.

The functional units that comprise the Secretariat and their respective budgets are summarised as follows:

<i>By Function</i>	In US\$m	2006	2007	2008	Increase	% Increase on 2007 Budget
		Actual US\$m	Budget US\$m	Budget US\$m		
Secretariat Expenses						
Operations		15.9	27.0	39.7	12.6	47%
Performance Evaluation & Policy		4.9	6.4	11.6	5.2	82%
Five-year evaluation			12.5	4.5	(7.9)	-64%
External Relations		8.9	17.6	21.9	4.3	24%
Office of the Executive Director		2.1	4.9	6.2	1.3	26%
Business Services		14.1	21.8	34.0	12.2	56%
Finance		3.4	4.1	4.6	0.5	12%
Legal		1.5	2.1	2.6	0.6	27%
Office of the Chair of the Board		0.2	0.5	0.5	0.1	10%
Contingency			1.0	1.0	0.0	0%
Secretariat		50.9	97.8	126.7	28.8	29%
Office of the Inspector General		1.1	3.1	3.1	(0.0)	-1%
In-country Oversight		23.9	32.5	49.8	17.3	53%
Total Operating Expenses		75.9	133.5	179.6	46.1	35%
Efficiency Target			(3.0)	(3.0)	0.0	0%
Net of Efficiency Target		75.9	130.5	176.6	46.1	35%

Increase over prior year: 72% 35%

¹ Some reallocation of budget between Units may be required upon restructuring of the Secretariat in the light of recommendations of the Organizational Review, within the overall Secretariat budget.

Operations Unit

Strategic Role

The Operations Unit has primary responsibility for managing the grant portfolio, in close collaboration with other Units that collectively form the 'operations platform'. Its role spans the entire grant cycle, from proposals screening and supporting the Technical Review Panel through grant negotiation, performance-based disbursements and grant renewals, grant consolidation and grant closure.

Beyond the individual grant level, the Operations Unit leads the development of operational policies that give effect to Board policy on grant-making. The Unit engages with in-country partners to optimize grant effectiveness, CCM functioning, and dissemination of best practices to the PR. It also manages the provision of LFA in-country oversight services and promotes co-investment and private sector participation.

Workload in 2008 will be increased by:

- Additional grants from Rounds 7 and 8 and the Rolling Continuation Channel
- Four TRP sessions for the Rolling Continuation Channel
- Enhanced grant and CCM support through workshops and knowledge sharing
- Expanded Secretariat management of LFA services to enhance performance
- Changeover of LFAs for many grants following the re-tendering of LFA services
- Grant consolidation and grant closures
- Further development of operational policies, including for Phase 2, RCC and Dual Track Financing

Resource Needs for 2008

Operations	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	131	123	27.0	17.2	2.2	6.7	0.9
Budget 2008	179	171	39.7	25.9	1.7	11.0	1.1
Increase	48	48	12.6	8.7	-0.4	4.3	0.1
Increase %	36%	39%	47%	50%	-20%	64%	16%

Staff costs: Of the 48 additional positions, 24 relate to individual grant management; 8 will be hired late in 2008 to handle additional grants anticipated from dual track financing; 5 are for CCM, grant and co-investment support; 6 will support the TRP, grant renewals and operational policy; and 5 will strengthen LFA management.

Travel & meetings costs: Of the \$4.3m increase in travel and meeting costs, \$1.2m is for regional and in-country training meetings (including operational partnerships); \$1.1m is for CCM strengthening and co-investment activities; \$0.6m is for TRP meetings (including 4 RCC sessions); \$0.9m is for LFA performance enhancement; and \$0.5m is for grant management (including new tasks in 2008 for grant closures, consolidation and RCC, as well as the increase in grant volume).

Performance Evaluation and Policy Unit

Strategic Role

The role of the PEP Unit is to enable the application of performance based funding and to drive Global Fund effectiveness through evaluation and adaptation. In collaboration with all units within the Global Fund and a broad range of stakeholders at national and international levels, key functions of the Unit are:

- Establishing transparent systems that as the foundation of performance-based funding to support implementation of programs within a framework of accountability;
- Monitoring and evaluation of grant and institutional performance, as well as of the Fund's impact on wider systems, and ultimately on the three diseases;
- Generating and communicating strategic performance information to improve the business model and to inform policy and strategy development;
- Supporting the TERG and conducting independent evaluations, learning from their findings and working with technical partners and country stakeholders to ensure that Global Fund supported programs conform to the latest scientific findings, norms and standards, including quality assurance of interventions.

Workload in 2008 will be increased by:

- Growth in the grant portfolio and RCC reviews
- A drive to strengthen in-country performance based funding frameworks and data quality management
- Establishment of an Aid and Cost Effectiveness team in response to Board and stakeholder requirements. This will focus on the cost effectiveness of interventions, advancement of the Paris Agenda, harmonisation and alignment, and enabling the greater use of common results evidence by multiple donors.

Resource Needs for 2008

Performance Evaluation & Policy	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	35	33	18.8	4.9	13.1	0.7	0.1
Budget 2008	54	48	16.1	7.9	6.8	1.2	0.2
Increase	19	16	(2.7)	3.0	-6.3	0.5	0.1
Increase %	54%	48%	-15%	61%	-48%	73%	103%

Staff costs: All of the 19 additional positions are to support the grant portfolio. Of these, 5 are to provide M&E support to the expanding grant portfolio and 4 are for M&E input to grant renewal evaluations; 5 are for the further development of (in-country) performance based funding frameworks and data quality management. A further 5 positions are for the new Aid and Cost Effectiveness function and to provide results reports in response to Board and stakeholder requirements.

Professional fees: The reduction of \$6.3m reflects the lower cost in 2008 compared to 2007 for the Five-Year Evaluation (\$8.0m), and \$1.7m for Aid and Cost Effectiveness function, the establishment of 3 scientific policy networks, and various evaluations.

Travel and meetings costs: Of the \$0.5m increase, \$0.3m is to support the building of in-country quality M&E frameworks that include impact measurement and the new Cost and Aid Effectiveness activities; \$0.2m is to establish 3 scientific policy networks.

External Relations Unit

Strategic Role

The role of the External Relations Unit is to secure resources to meet the needs of the Global Fund, facilitate governance and support amongst stakeholders, and ensure the positioning of the Global Fund as the most effective financing mechanism to fight the three pandemics.

The Unit's activities are driven by the resource mobilization strategy (as endorsed by Board in 2007). Priorities in 2008 are expanding contributions from existing public sector donors in line with expected increases in ODA, mobilization of new donors particular from emerging economies and oil-rich countries, intensifying resource mobilization from private sector and further investment in innovative finance. These priorities are supported by expanding global partnerships and significantly enhancing communications reach in both implementing and donor countries. The Partnership Forum will also be a major priority. The International AIDS Conference will be held in Mexico in August 2008 and requires additional effort to ensure appropriate Global Fund presence.

Workload in 2008 will be increased by:

- Expanding global partnerships including the strategic relationships with governments in donor and implementing countries
- Further developing private sector contribution mechanisms
- Piloting Debt2 Health conversion in additional countries
- Supporting communication capacity in implementing countries
- Organizing the Partnership Forum
- Participating in AIDS Conferences in Mexico City, Moscow and Dakar, Senegal

Resource Needs for 2008

External Relations	No. of Staff	No. of FTE	Budget \$m	Staff	Profess.	Travel &	
				Costs	Fees	Meetings	Other
Budget 2007	60	50	17.6	6.9	5.0	4.9	0.8
Budget 2008	70	66	21.9	10.2	3.6	6.4	1.7
Increase	10	16	4.3	3.3	-1.4	1.5	0.9
Increase %	17%	32%	24%	47%	-28%	31%	111%

Staff costs: Of the 10 additional positions, 2 are to enable the development of Global Partnerships; 2 are to work on product & service contributions and private sector partnerships; 2 are for continuation of Debt2Health pilots; 3 are to support communication activities in implementing countries and grant related communications; and 1 relates to the Partnership Forum and donor relations.

Professional fees: The decline of \$1.4m relates to Replenishment activities and the development of plans for private sector fundraising campaigns that were unique to 2007 (and hence are not provided for in 2008).

Travel and meeting costs: Of the additional \$1.5m, \$1.1m is for the Partnership Forum; \$0.2 is for consumer marketing campaigns; and \$0.2m is for Debt2Health pilots.

Office of the Executive Director

Strategic Role

The role of the Executive Director and the Deputy Executive Director is focused on three principal areas:

Managing the Secretariat

- Leading the Executive Management Team
- Working on corporate matters and staff wellbeing
- Interacting with staff and the Staff Council
- Collaborating with the Board and its Committees and overseeing Secretariat support
- Acting as Focal Point to the Policy and Strategy Committee and the Office of the Inspector General
- Aligning the structure and capacity of the Secretariat with organizational needs

Representing the Global Fund

- Advocacy with donors, implementers and other stakeholders
- Consolidating and building partnerships to advance the mission of the Global Fund

Developing and implementing strategy and policy

- Overseeing the implementation of Board strategy and policy and developing the operational policies that give effect to these
- Chairing internal committees and panels that prepare policies for Board and Committee consideration and carry out governance roles delegated by the Board

Workload in 2008 will be increased by:

- The increasing involvement of the Global Fund in the broader health development architecture, including input to new global initiatives
- Consolidating and launching new global health collaborations, such as with UNITAID and, potentially, the Affordable Medicines Facility – Malaria
- Improving the functioning of the Secretariat in light of recommendations of the management review and the Five-Year Evaluation
- Preparation for the transition of the Global Fund to administrative independence

Resource Needs for 2008

Office of the Executive Director	No. of Staff	No. of FTE	Budget \$m
Budget 2007	22	20	4.9
Budget 2008	27	27	6.2
Increase	5	7	1.3
Increase %	23%	33%	26%

Staff Costs	Profess. Fees	Travel & Meetings	Other
2.9	1.3	0.7	0.1
4.2	1.1	0.9	0.1
1.3	-0.2	0.2	0.0
43%	-12%	27%	-12%

Staff costs: The 5 additional positions comprise a senior advisor, 3 project officers, and an assistant.

Business Services Unit

Strategic Role

The Business Services Unit houses the teams that enable the Secretariat to Function: human resources, information services, administration, contracting, and grant-related procurement advisory/compliance services. Key functions of the Unit are:

- Human Resources: Implementing HR policies and procedures for the staff of the Secretariat; managing recruitment and training, and overseeing performance management.
- Information Systems: Providing information systems and infrastructure services to support grant process from proposals through performance-based funding, information management and telecommunications.
- Administration: Providing office accommodation and services, and all administrative and travel services to the Secretariat.
- Contracting: Enabling the acquisition of services and supplies for the functioning of the Secretariat and in-country oversight, in compliance with WHO and Global Fund policies and procedures.
- Procurement and Supply Management: Providing guidance to grantees and portfolio managers on the procurement of pharmaceutical products. Monitoring compliance with Global Fund quality assurance policy and price reporting by grantees.

Workload in 2008 will be increased by:

- Enabling an increased number of staff to function productively
- The transition of administrative services arrangements from the WHO
- Strengthening information systems and human resource services

Resource Needs for 2008

Business Services	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	57	54	21.8	7.0	6.2	1.1	7.4
Budget 2008	77	76	34.0	11.1	8.7	1.3	12.9
Increase	20	22	12.2	4.1	2.5	0.2	5.5
Increase %	35%	41%	56%	58%	40%	15%	74%

Staff costs: Of the 20 additional positions, 11 are in direct support of grant activities (2 for pharmaceutical procurement, 2 for contracting, 2 for travel administration, and 5 to support grant-related information systems); 6 are for strengthening human resources services and 3 relate to the migration to the new WHO administrative systems in 2008.

Professional fees: The increase of \$2.5m comprises \$1.6m for developing information systems applications to support grant processes (including the Price Reporting Mechanism); \$0.7m for potential increase in the ASA fee; and \$0.2m for staff training.

Other costs: The increase of \$5.5m comprises \$3.5m for office rent (reflects full-year costs of additional space rented in 2007) and \$1.3m for fitting-out, furniture and equipment; \$0.4m for telecommunications and IT services, and \$0.3 general office services (both related to increased staff level).

Finance Unit

Strategic Role

The Finance Unit accounts for and reports on the financial transactions of the Global Fund, performs final clearance of grant disbursements, and provides financial forecasts and analysis to support Board decision making and to inform donors and other stakeholders of the financial resource needs of the Global Fund.

Key functions of the Unit are:

- Maintaining the financial records of the Global Fund, compiling its financial statements and facilitating their external audit in compliance with best practices
- Compiling grant and contribution financial information for daily website publication
- Reviewing grant disbursements to provide final clearance and requesting payment by the Trustee
- Processing grant and other transactions in close collaboration with the Trustee, the WHO and all Units throughout the Secretariat
- Supporting the Board and its Committees with regard to financial matters, including acting as focal point to the Finance and Audit Committee
- Providing information on resource needs to the Replenishment process and as otherwise required by donors
- Participating in internal committees and panels that prepare policies for Board and Committee consideration and carry out governance roles delegated by the Board

Workload in 2008 will be increased by:

- Greater volumes of grant transactions and restricted contributions
- Migration of administrative systems to a new WHO IT system (for 2008)
- The transition of administrative services arrangements from the WHO (for 2009)
- Various initiatives to enhance grant processes, formalize risk management and prepare policies for Board consideration

Resource Needs for 2008

Finance	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	13	12	4.1	1.7	2.4	0.0	0.0
Budget 2008	14	13	4.6	2.0	2.5	0.0	0.0
Increase	2	2	0.5	0.4	0.2	0.0	0.0
Increase %	12%	14%	12%	23%	6%		

Staff costs: Of the 2 additional positions, 1 will provide additional capacity for reviewing grant disbursements, and 1 will support accounting and budgeting processes.

Professional fees: Include the Trustee fee (\$2.4 m) and external audit and consulting fees (\$0.1m).

Legal Unit

Strategic Role

The Legal Unit provides ongoing legal advice to the Office of the Executive Director, to other Units within the Secretariat, to the Board of the Global Fund (generally through the Chair and Vice-Chair or Board Sub-committees), and to the other organs in the Global Fund's organizational structure (Office of the Inspector General, TERG and TRP).

Key functions of the Unit are:

- Providing support in grant negotiations and the preparation of grant-related contractual documentation, and in the development of portfolio management policies and procedures.
- Providing advice on resource mobilization and external relations activities. The unit provides advice on fund-raising campaigns, and in relation to innovative financing initiatives and the registration of the Global Fund's name and logo as trademarks in multiple jurisdictions.
- Advising the Board and its committees on procedural and legal risk issues, and on the development of new policies and decision points. A member of the Legal Unit serves as the Global Fund's Ethics Official, providing support to the Ethics Committee.
- Providing advice on administrative issues, including but not limited to the administrative arrangement with WHO.
- Liaising with Swiss government authorities on legal issues involving the Fund's headquarters agreement and foundations registration requirements.
- Overseeing the management and settlement of disputes to which the Global Fund is a party.

Workload in 2008 will be increased by:

- Growth in the grant portfolio and RCC reviews
- Resource mobilization matters, including in relation to new financing initiatives, such as UNITAID and the Debt 2 Health conversion, and private sector contributions
- The transition of administrative services arrangements from the WHO

Resource Needs for 2008

Legal	No. of Staff	No. of FTE	Budget \$m
Budget 2007	9	9	2.1
Budget 2008	11	11	2.6
Increase	2	2	0.6
Increase %	17%	21%	27%

Staff Costs	Profess. Fees	Travel & Meetings	Other
1.3	0.4	0.4	0.0
1.7	0.5	0.4	0.0
0.4	0.1	0.0	0.0
31%	27%	13%	-

Staff costs: Of the 2 additional positions, one is to support grant activity and the other position is to deal primarily with the increase in Resource Mobilization work and the more complex work in other areas. (With the discontinuation of a 0.5 position, the net increase is 1.5 positions.)

Support to the Office of the Chair of the Board

Resource Needs for 2008

Office of the Chair of the Board	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	1	1	0.49	0.13	0.25	0.05	0.07
Budget 2008	1	1	0.55	0.18	0.25	0.05	0.07
Increase	0	0	0.05	0.05	0.01	-0.01	0.00
Increase %	0%	49%	10%	41%	3%	-17%	1%

The budget provides support to the Chair and Vice Chair of the Board. It funds 3 support personnel, 1 of which is employed by the Secretariat, as well as contributing towards travel, meeting and other office expenses.

Office of the Inspector General

Resource Needs for 2008

Office of the Inspector General	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other
Budget 2007	14	12	3.1	1.9	0.6	0.2	0.4
Budget 2008	14	11	3.1	1.9	0.9	0.2	0.1
Increase	0	(1)	(0.0)	0.0	0.3	0.0	-0.3
Increase %	0%	-12%	-1%	-2%	49%	0%	-74%

The OIG budget is tentative, in advance of the new Inspector General taking up office (in January 2008) and preparing a work plan and budget for consideration by the FAC.

Part 2: Staff Numbers & Costs

Positions

Staff numbers -- Positions	2006	2007	2008	Increase	% Increase on 2007 Budget
	Positions Approved	Positions Approved	Positions		
Operations	106	131	179	48	36%
Performance Evaluation & Policy	28	35	54	19	54%
External Relations	35	60	70	10	17%
Office of the Executive Director	17	22	27	5	23%
Business Services	49	57	77	20	35%
Finance	10	13	14	2	12%
Legal	8	9	11	2	17%
Office of the Chair of the Board		1	1		
Restructuring of Secretariat*			5	5	
Secretariat	253	327	437	110	33%
Office of the Inspector General	8	14	14	0	0%
Total Staff	261	341	451	110	32%

Increase over prior year: 31% 32%

Expressed as Full-Time Equivalents (FTE)

This adjusts the number of positions to take account additional positions commencing in the course of the year (and not all on 1 January).

Staff numbers -- Full-Time Equivalents	2007	2008	Increase	% Increase on 2007 Budget
	FTE Approved	FTE		
Operations	123	171	48	39%
Performance Evaluation & Policy	33	48	16	48%
External Relations	50	66	16	32%
Office of the Executive Director	20	27	7	33%
Business Services	54	76	22	41%
Finance	12	13	2	14%
Legal	9	11	2	21%
Office of the Chair of the Board	1	1	0	
Restructuring of Secretariat*		4	4	
Secretariat	300	416	116	39%
Office of the Inspector General	12	11	(1)	-12%
Total Staff	312	426	116	37%

Distribution of Staff

Staff numbers -- Positions	Distribution of Increase		Distribution of 2008 Positions
	Positions	%	
Operations	48	44%	40%
Performance Evaluation & Policy	19	17%	12%
External Relations	10	9%	15%
Office of the Executive Director	5	4%	6%
Business Services	20	18%	17%
Finance	2	1%	3%
Legal	2	1%	2%
Office of the Chair of the Board Restructuring of Secretariat*	5	5%	1%
Secretariat	110	100%	97%
Office of the Inspector General	0	0%	3%
Total Staff	110	100%	100%



Distribution of Additional Positions in 2008	Total	Grant Operations	Performance Evaluation and Policy	External Relations	Office of the Executive Director	Business services	Finance	Legal	OIG
Grant Portfolio activities:									
Grant management									
Fund portfolio managers	8	8							
Programme officers	6	6							
Programme assistants	6	6							
Finance specialists	1	1							
Pharmaceutical procurement matters	2					2			
Information management and quality assurance	2	2							
Grant-related communications	2	1		1			1		
Disbursement clearance	1							1	
Legal support	1								1
		24							
Dual track financing	8	8							
Portfolio support									
CCM and grant support	4	4							
Co-investment support	1	1							
Grant proposals and TRP support	2	2							
Grant renewals (Phase 2 & RCC)	5	2	3						
Operational policy	2	2							
LFA management	5	5							
Performance based funding systems	3		3						
Monitoring and evaluation support	4		4						
Data quality management	2		2						
Health and aid effectiveness monitoring	7		7						
Contracting (mainly grant related)	2					2			
Travel administration (mainly grant related)	2					2			
Information systems development (mainly grant related)	5					5			
		16							
	77%	81	19	1		11	1	1	
Resource Mobilization, Communications, Governance									
Global Partnerships (Government, Civil Society, Friends)	2			2					
Innovative Financing	2			2					
Private Sector partnerships	2			2					
Communications	2			2					
Donor relations and Partnership Forum	1			1					
	9%	9							
Other									
Advisory & project capacity for Office of Executive Director	5				5				
Implementation of WHO IT system; ASA preparation	3					3			
Human resources services	6					6			
Accounting and budget processes	1						1		
Office of Inspector General (provides for staff of 10)									
	14%	15							
Total	100%	105	48	19	10	20	2	1	0
Add: Restructuring of the Secretariat		5							
Total		110							

Staff Costs

OVERALL	No. of Staff	No. of FTE	Budget \$m	Staff Costs	Profess. Fees	Travel & Meetings	Other	Staff Cost per FTE \$k
Budget 2007	341	312	100	44.0	31.4	14.8	9.8	141
Budget 2008	446	422	129	65.1	26.1	21.5	16.1	154
Increase	105	110	29	21.1	-5.3	6.7	6.3	13
Increase %	31%	35%	29%	48%	-17%	45%	65%	9%

2008 Budget	Per above	
	Per above	129
	In-country oversight	50
	Efficiency - contingency	(2)
	Total	<u>177</u>

Composition of the staff costs increase			
		2007	100%
Volume:	2008 FTE at 2007 rates		135%
Rate:	Plus 9% for 2008 rates		148%

Of the US\$29 million increase in the Secretariat budget, staff costs are the largest factor, accounting for \$21 million of the total increase. Compared to 2007, staff costs will increase by 48% in 2008. This increase is comprised as follows:

35% results from the increase in staff numbers (expressed in full-time equivalents (FTE))

9% results from the increase in the average cost per FTE

Hence the overall increase is: $135\% \times 109\% = 148\%$, an increase of 48%

The 9% rate increase in the average staff costs per FTE results from depreciation in the value of the US dollar relative to the Swiss franc, and step increases in staff remuneration. Staff cost rates are based on guide rates provided by WHO, which incorporate a 9%² increase for currency depreciation. For budgeting purposes the Global Fund applies staff cost rates that are less than the WHO guide rates (based on experience of actual costs).

² WHO guide rates for 2006/7 assumed an exchange rate of US\$1= CHF 1.25, and for 2008/9 US\$1= CHF 1.15

Part 3: In-country Oversight

The budget for In-country Oversight takes account of increased grant activity in 2008 and makes tentative allowance for new costs related to new procedures and handovers resulting from the LFA re-tendering process. These costs are integral to the Global Fund business model which relies upon outsourced services to fulfill this need.

Of the 53% increase (compared to 2007) :

- 24% results from the increased grant activity
- 18% relates to the introduction of new quality assurance procedures and handovers upon re-tendering (mainly one-time costs)
- 5% is for completion of the roll-out of the M&E self-assessment tool (one-time cost)
- 6% is for new data collection and verification requirements in 2008 relating to the Paris Declaration and PR surveys for additional data (e.g. gender indicators).

In-country Oversight		2007 Budget	2008 Budget	Change	
		US\$	US\$	US\$ million	%
1	Assessments of PRs (To assess PR capacity prior to grant signing and on change of PR)	No. of new grants Average cost Budget	104 \$50,530 5,255,113	110 \$49,000 5,390,000	0.1 0%
2	Verification of Implementation (To monitor implementation throughout the grant duration)	No. of active grants Average cost Budget	422 \$47,721 20,138,262	503 \$55,000 27,665,000	7.5 23%
3	Phase 2 Renewal Reviews (To inform decision making on Phase 2 renewal and assessment of RCC proposal)	No. of Phase 2 Reviews Average cost Budget	71 \$29,810 2,116,510	73 \$30,000 2,190,000	0.1 0%
4	Consolidation Reviews	No. of grants consolidated Average cost Budget	 240,000	12 \$20,000 240,000	0.0 0%
5	Grant closures and ad-hoc Tasks Including grant closures, reviews by Procurement and Supply Management experts, assessment of sub-recipients in Additional Safeguard countries, activities to support OIG missions, anti-terrorism compliance, etc.		1,975,000	2,000,000	0.0 0%
6	M&E self assessment to existing PRs (one-time catch-up) To be completed over 2007 and 2008 (Incorporated in Assessment of new PRs from 2007)	No. of countries Cost per country	55 \$21,325 1,172,875	134 \$21,325 2,857,550	1.7 5%
7	Independent Data Quality Audit For the roll-out of assessment and audit tools to improve the quality of programmatic data and systems in grants and countries.	No. of grants Cost per grant	21 \$52,400 1,100,400	60 \$20,000 1,200,000	0.1 0%
8	Special verification of end-of-year programmatic results To be performed each year for a selection of grants where additional verification is required of results that are reported to donors, the Board and the Replenishment		524,000	524,000	0.0 0%
9	Paris Declaration Reviews Measurement in 2008 of Paris Declaration indicators for specified grants	No. of grants Cost per grant	 562,500	45 12,500 562,500	0.6 2%
10	PR Surveys for additional data collection Collection of additional indicator data (e.g. gender related) from a sample of grants	No. of grants Cost per grant	 1,445,400	438 3,300 1,445,400	1.4 4%
11	LFA costs on introduction of new requirements and on re-tendering Fees of outgoing LFA associated with hand-over to new LFA Training, including on new quality assurance procedures (LFA travel costs for 650 personnel) Scope and rate increases Tentative allowance for the above		 5,750,000	1,000,000 3,250,000 1,500,000 5,750,000	5.8 18%
Overall Cost			32,522,160	49,824,450	Increase on 2007
			2007: \$ 32.5 m	2008: \$ 49.8 m	\$ 17.3 m 53%

Part 4: Changes in Budget from 2007 to 2008

Budget 2008		Budget 2008 (US\$'000)									
		TOTAL	Staff	Professional fees	Travel	Meetings	Communication materials & services	Office infrastructure	External co-funding	LFA Services	Contingency; Efficiency target
Secretariat:											
Operations	22%	39,692	25,873	1,730	6,915	4,079	1,096				
Performance Evaluation & Policy	9%	16,087	7,912	6,755	690	505	225				
External Relations	12%	21,909	10,239	3,581	4,631	1,756	1,871	227	(396)		
Office of the Executive Director	4%	6,206	4,168	1,110	570	305	39	14			
Business Services	19%	34,012	11,136	8,692	1,215	103	190	12,676			
Finance	3%	4,586	2,026	2,545	12	3					
Legal	1%	2,634	1,688	544	397	5					
Office of the Chair of the Board	0%	546	178	254	45			69			
Contingency	1%	1,000									1,000
Secretariat	72%	126,673	63,221	25,211	14,474	6,756	3,421	12,986	(396)		1,000
Office of the Inspector General	2%	3,098	1,863	900	163	77	20	75			
In-country Oversight	28%	49,839								49,839	
Total, before efficiency target		179,610	65,084	26,111	14,638	6,832	3,441	13,061	(396)	49,839	1,000
Efficiency target	-2%	(3,000)									(3,000)
Total Operating Expenses	100%	176,610	65,084	26,111	14,638	6,832	3,441	13,061	(396)	49,839	-1%
		100%	37%	15%	8%	4%	2%	7%	0%	28%	-1%

Budget 2007		Budget 2007 (US\$'000)									
		TOTAL	Staff	Professional fees	Travel	Meetings	Communication materials & services	Office infrastructure	External co-funding	LFA Services	Contingency; Efficiency target
Secretariat:											
Operations	21%	27,046	17,217	2,176	4,775	1,932	947				
Performance Evaluation & Policy	14%	18,823	4,919	13,101	362	330	96	15			
External Relations	14%	17,642	6,947	4,995	3,494	1,396	1,823	171	(1,185)		
Office of the Executive Director	4%	4,919	2,907	1,260	500	191	39	22			
Business Services	17%	21,765	7,027	6,213	1,059	90	110	7,266			
Finance	3%	4,084	1,652	2,390	15	3		25			
Legal	2%	2,069	1,284	430	355						
Office of the Chair of the Board	0%	495	127	246	54		16	52			
Contingency	1%	1,000									1,000
Secretariat	75%	97,843	42,080	30,812	10,614	3,941	3,031	7,551	(1,185)		1,000
Office of the Inspector General	2%	3,125	1,909	606	163	77	20	351			
In-country Oversight	25%	32,522								32,522	
Total, before efficiency target		133,491	43,989	31,418	10,777	4,018	3,051	7,902	(1,185)	32,522	1,000
Efficiency target	-2%	(3,000)									(3,000)
Total Operating Expenses	100%	130,491	43,989	31,418	10,777	4,018	3,051	7,902	(1,185)	32,522	(2,000)
		100%	34%	24%	8%	3%	2%	6%	-1%	25%	-2%

Changes from 2007 to 2008		Changes from Budget 2007 to 2008 (US\$'000)									
		TOTAL	Staff	Professional fees	Travel	Meetings	Communication materials & services	Office infrastructure	External co-funding	LFA Services	Contingency; Efficiency target
Secretariat:											
Operations	47%	12,646	8,657	(446)	2,140	2,147	148				
Performance Evaluation & Policy	28%	5,336	2,993	(6,346)	328	175	129	(15)			
PEP: Five-Year Evaluation		(8,072)									
External Relations	24%	4,267	3,292	(1,414)	1,137	360	48	56	789		
Office of the Executive Director	26%	1,287	1,261	(150)	70	115		(8)			
Business Services	56%	12,246	4,109	2,479	156	13	80	5,410			
Finance	12%	502	374	155	(3)	1		(25)			
Legal	27%	565	404	114	42	5					
Office of the Chair of the Board	10%	51	52	8	(9)		(16)	17			
Contingency											
Secretariat	29%	28,830	21,141	(5,601)	3,860	2,815	390	5,435	789		
Office of the Inspector General	-1%	(28)	(46)	294				(275)			
In-country Oversight	53%	17,317								17,317	
Total, before efficiency target	35%	46,119	21,095	(5,307)	3,860	2,815	390	5,160	789	17,317	
Efficiency target											
Total change on prior year	35%	46,119	21,095	(5,307)	3,860	2,815	390	5,160	789	17,317	
Change as % of 2007 budget		35%	48%	-17%	36%	70%	13%	65%	-67%	53%	
Composition of change		100%	46%	-12%	8%	6%	1%	11%	2%	38%	

Part 5: Summary of Budgetary Implications of Decisions of the Sixteenth Board Meeting

The table below summarises the budgetary implications in 2008 of all decisions currently proposed for consideration by the Sixteenth Board Meeting. The actual amount to be included in the 2008 budget is dependent on the outcome of Board deliberations.

Source	GF/B16/	Decision Point	\$'000	Staff Positions	Remarks
FAC	DP 18	Budget 2008	176,610	451	
FAC	DP 19	Transition from ASA	18,355	7	One-time cost, upper limit
PC	DP 14	Funding of CCMs	6,047	-	
PSC	DP 7	RCC interim bridge funding measure	125	-	Temporary measure
PSC	DP 8	Roll-out of Grant Consolidation	1,196	5	Upper limit
PSC	DP 9	Strategic approach to HSS	-	-	(Pending)
PSC	DP 10	Develop AMF-malaria business plan	675	2	One-time cost
PSC	DP 11	Guidelines on Constituency Processes	96	-	One time-cost, mainly
		Scaling-up Gender-Sensitive response	557	3	
Total			203,661	468	
<u>Of which:</u>					
		Ongoing	184,410	459	
		One-time / temporary	19,251	9	