

# 36<sup>th</sup> Board Meeting

## Corporate Workplan & Budget Narrative 2017

GF/B36/05B

16-17 November 2016, Montreux, Switzerland

### **Board Decision**

Purpose of the paper: This document presents a work plan and narrative as complement to the Global Fund 2016 Operating Expenses Budget (GF/B36/05A)

## I. Decision Point

1. The 2017 Corporate Work Plan and Operating Expenses Budget share the same decision point (GF/B36/DPo8), which can be found in the 2017 OPEX Budget document (GF/B36/05A).

## II. Executive Summary

2. The Global Fund Corporate Work Plan and Budget Narrative forms a key component of the financial reporting, planning and control structure of the organization. The document identifies key priorities for the year ahead, and provides an analysis of the operational budget's alignment with those critical areas of work. An overview is provided for budget allocations by Strategic Objective and Cost category, with an accompanying analysis of budget trends and drivers. Finally, the Work Plan outlines how implementation of this work will be monitored against major deliverables and the KPI framework (pages 17-22).

3. 2017 is a year of transition as the organisation starts implementation of the 2017-2022 Strategy: Investing To End Epidemics. The planning work conducted in 2016 has identified the priority activities, representing the new work, or work requiring additional focus, to deliver on the Strategy.

4. USD 24m of the operating expense budget has been allocated to specific priority activities for 2017. The remaining USD 276m budget is devoted to core activities of the Global Fund, which have also been reoriented to align with shift in direction brought in by the new strategy. It should be noted that a range of 2017 priority activities will transition to core business over the coming years as strategy implementation matures.

5. The Global Fund's new Strategy provides a bold agenda for 2017-2022. It sets the Global Fund on a path to continue to support countries as they implement programs aimed at ending the three epidemics, while increasing activity and investments in gender, human rights, and the building of resilient and sustainable systems for health. This is coupled with efforts to increase value for money from Global Fund investments, such as market shaping, and augmented approaches to resource mobilization and a greater focus on supporting countries to prepare for transition. Improved efficiency in Global Fund administration & support functions have freed additional resources to pursue critical strategic aims.

6. At recent Global Fund Board meetings, and restated at the 5th Replenishment, the Secretariat renewed its commitment to remain within a USD 900m operating expense budget envelope over the next three years. Experience over the last replenishment period has clearly demonstrated the ability of the organisation to implement major reforms at the same time as maintaining budget discipline and the efficiency of its operational expense investments.

### III. Introduction

#### 01 The Global Fund Planning Cycle

7. The Global Fund Corporate Work Plan and Budget Narrative forms a key component of the financial reporting, planning and control structure of the organization. As a complement to the budget, the work plan:

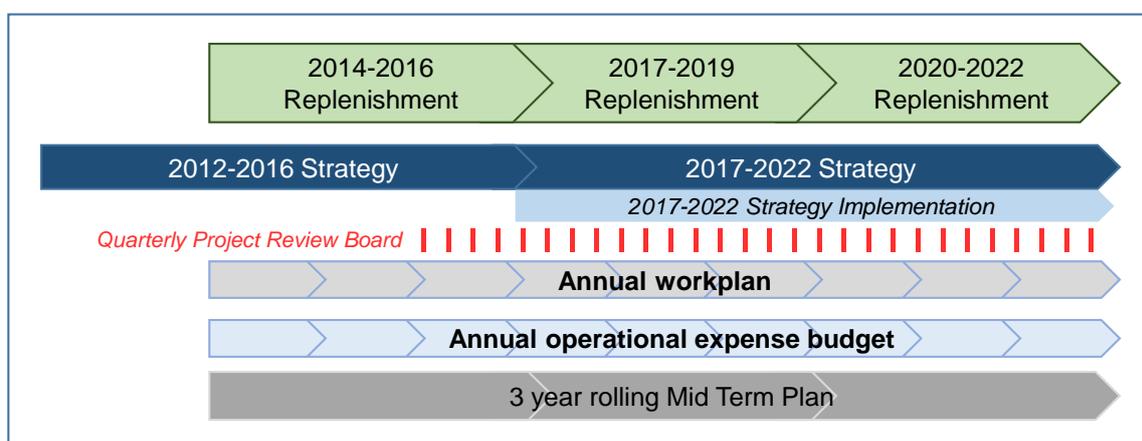
- Identifies key priority initiatives required for Strategy implementation in the year ahead;
- Provides an overview of budget allocations by Strategic Objective and Cost category, with an accompanying analysis of budget trends and drivers; and
- Describes how performance on work under each Strategic Objective will be monitored against major deliverables and the KPI Framework.

8. The aim of the work plan is to provide a better understanding and more detailed analysis of where operating expenses are invested, what will be achieved with the allocated funds, and how budget decisions align with Strategy.

9. Two new components have been added to the Global Fund’s planning structures . The first is more formal planning for strategy implementation, by which the Secretariat details the strategic drivers and key milestones required to deliver on strategic objectives. This aims to support robust planning for strategic priorities, emphasizes ownership and accountability, provides a framework for management oversight, and informs decisions on staffing, skills, process and budget required for implementation, reporting and monitoring.

10. The second addition to the planning structure is a Project Management Office which was created to further improve management and integration of crosscutting projects, and support the senior executive team in monitoring major initiatives critical for successful Strategy implementation. In 2016, as part of this initiative, a standardized process for evaluation and approval of major projects was established through a Project Review Board. Any initiative that requires complex cross-functional collaboration, or has a proposed budget of USD 1m or greater over a 3-year period must be reviewed and approved by the Project Review Board made up of senior staff from across the Secretariat.

11. The Mid-Term Plan (GF/AFC01/05) complements the work plan. With a focus on financial data, the plan provides a forecast of grant and operating expenses over a rolling three year period. In 2015, the Global Fund developed its first results and impact forecast providing a three year projection of expected service delivery results and impact estimates. Development will continue in 2017 to link financial, procurement and programmatic forecasts, providing an end-to-end view to senior management and the Board.

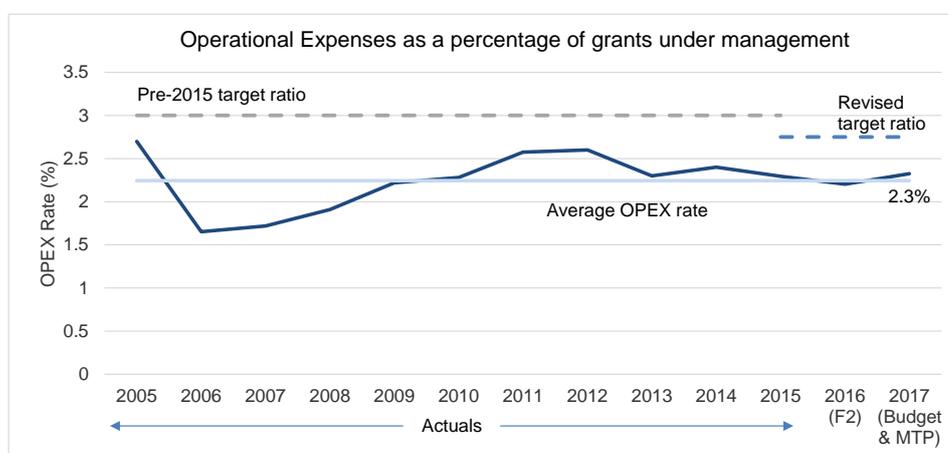


## 02 Budget Summary

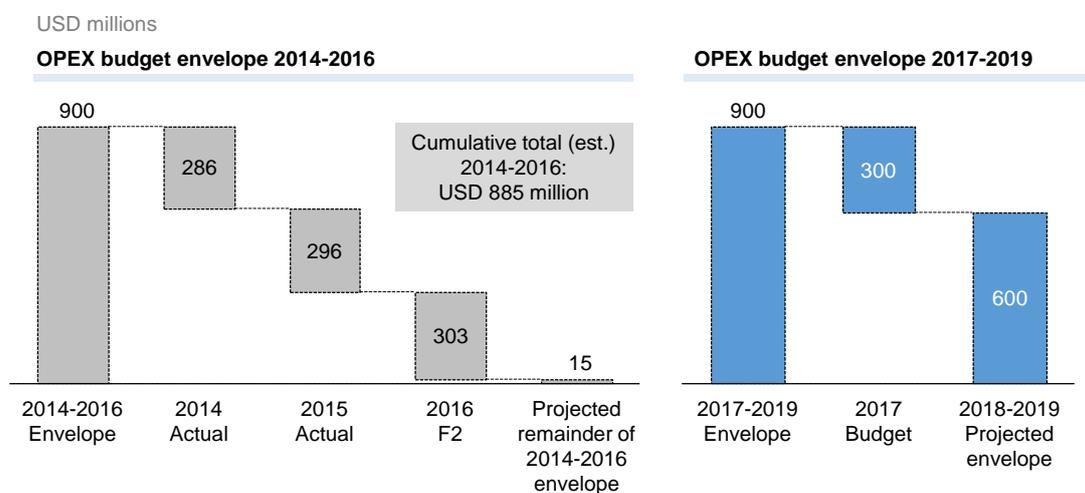
12. The Global Fund operational expense budget reflects four core objectives:

- Restate the recurrent cost base to align with the needs of the 2017-2022 Strategy
- Achieve value for money by maintaining discipline seen over the 2013-2016 period;
- Ensure available resources are invested in the major priorities required to implement the new Strategy; and
- Adhere to the overall resource framework set for the 5th Replenishment.

13. Responsible and rigorous financial management are key principles for the Global Fund as an international financial institution. At recent governance meetings and at the 5<sup>th</sup> Replenishment, the Secretariat proposed to continue the USD 900m three-year operating expense budget envelope for the 2017-2019 period. This will enable the Secretariat to maintain the lower ceiling set for its key operational expense ratio adopted in 2015. After a six year period of growth the ratio has stabilized over the past four years and it is expected to continue at this level for the next replenishment period.



14. The Global Fund is becoming increasingly effective in budget utilization, with budget expenditure rates increasing from 95% in 2014 to 99% projected for 2016. In 2016, the OPEX budget consolidated the gains in efficiency captured over the replenishment period to support Secretariat priorities, seeking to maximize impact from the OPEX envelope for the 2014-2016 period. Based on planned 2017 OPEX spending of USD 300 million, an OPEX budget envelope of USD 600 million is projected to be available for 2018 and 2019.



## IV. Discussion

### 03 Priority-Setting and Budget Design Process

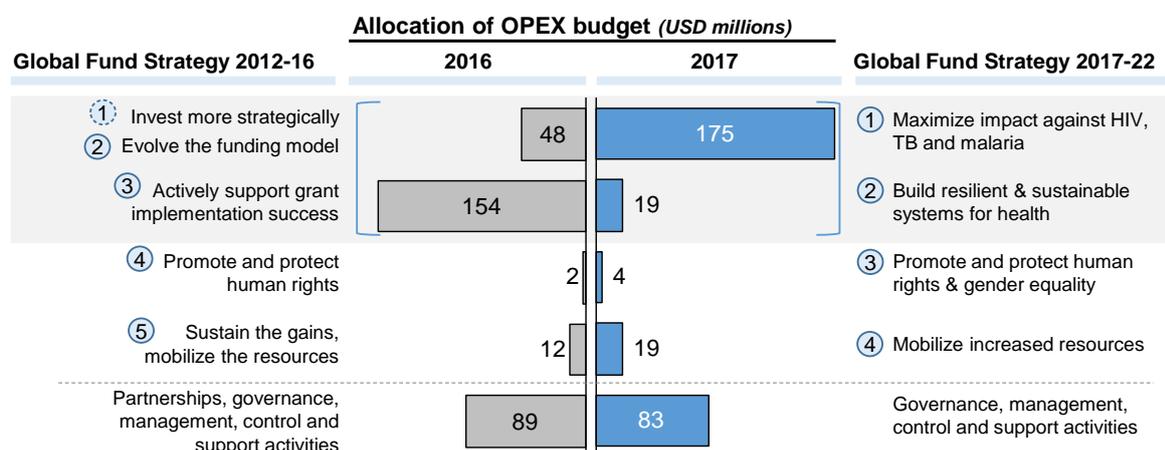
15. The process to set corporate priorities for 2017 was integrated into the strategy implementation planning process. The Global Fund Strategy 2017-2022: Investing To End Epidemics clearly lays out the organization's objectives for the coming six years. Through formal planning for strategy implementation, activities and major initiatives required to deliver these objectives have been established. Strategic Objective leads worked across departments to build consensus on key implementation activities for 2017 and their associated budgets. These were further refined and prioritized by the Management Executive Committee (MEC) before integration into the full budget process.

16. "Priority activities", representing the new work, or work requiring additional focus, to deliver on strategic aims, complement the Secretariat's "Recurrent activities", which represent the underlying core business model of the organization. Recurrent activities are also being reoriented to align to strategic needs, and a range of 2017 priority activities will transition to core business over the coming years as strategy implementation matures.

17. Planning for strategy implementation covered all the activities required for successful delivery of the new Strategy, whether these relate to the work of the Secretariat, resourced from the operational expenditure budget, in-country work resourced through grants, or more cross-cutting activities resourced from Catalytic Funds. The OPEX budget covers *"costs of the Secretariat and agents thereof in the administrative processes surrounding investment decisions, access to funding and grant management, and the coordination of cross-cutting collaborative efforts with partners"*. Costs directly related to the development and implementation of individual grants are considered part of grant budgets. Critical activities/approaches not able to be funded through country allocations due to their cross-cutting, innovative or off-allocation cycle nature are to be funded through Catalytic Funding, and wherever possible, later recovered through relevant grant expenditure. This work plan focuses on activities funded through the Global Fund's OPEX budget, but with a clear acknowledgement that Catalytic and Grant funds are essential to realizing the objectives of the Strategy.

## 04 Strategic Objectives

18. This section provides an overview of planned work under each Strategic Objective. The following figure provides an indicative breakdown of the budget by Strategic Objective and support activities. Note, the information should be interpreted with care. Strategic Objectives and support activities are not mutually exclusive and the smaller values in the graph are likely to be underestimates of the actual time and resources devoted to these activities.



The Global Fund's new Strategy sets a path to continue to support countries as they implement programs aimed at ending the three epidemics, with an increased focus in the areas of resilient and sustainable systems for health, gender, and human rights. This enhanced focus is reflected in increased activity and investments in RSSH, gender, and human rights when compared to 2016. It should be noted that the graph above also reflects some reclassification of activities with partnership activities integrated across the four new strategic objectives; and increased investments in health financing and market shaping shifting from more grant related strategic objectives (1 & 2) to Strategic Objective 4 Mobilize increased resources.

19. Efforts to improve efficiency of Global Fund operations and pursue increased fiscal discipline by scrutinizing and restating the recurrent cost base have yielded budget reductions in a number of administrative functions.

20. Successfully implementing the Global Fund Strategy is underpinned by two critical enablers: innovating and differentiating along the development continuum to maximize impact of investments, and supporting mutually accountable partnerships. Engagement with countries will be tailored not only to disease burden and income level, but will also take into account factors including: epidemiologic and other socio-political context, financing gaps, fiscal space, absorptive capacity, risk and where and how the Global Fund, with partners, can have the most catalytic impact. Simultaneously, the Global Fund will evolve the way it operates to respond more effectively to the diverse range of contexts where its grants are implemented, adopting a more nuanced approach to its requirements. The Global Fund will increasingly rely on its partnership model to achieve impact at country-level over the 2017-2022 Strategy period. Close collaboration with technical partners, funding partners, implementing agencies, civil society and community groups is essential to deliver on strategic objectives. These enabling activities have been designed into the implementation plans and budgets of each strategic objective.

21. The following sections provide an objective by objective overview and a breakdown of the operational expense budget for the Secretariat's planned work in 2017, differentiating between priority activities and recurrent core business.

## Strategic objective 1 – Maximize Impact Against HIV, TB and malaria

22. Maximizing the impact of investments for HIV, TB and malaria requires differentiated approaches for diverse country contexts, increased alignment, and planning for program sustainability. Countries will be supported to design, implement and sustain impactful programs targeting the three diseases from both a programmatic and financial perspective with a view to scaling up evidence based interventions. Successful implementation of the Strategy will directly contribute to progress in the fight against the three diseases aligned with the UNAIDS Fast Track Strategy, the End TB Strategy, and the Global Technical Strategy for Malaria; and to the achievement of the Sustainable Development Goals.

### Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other (incl. External assurance)	Total
New priority	-	5	<1	-	<b>5</b>
Core activity	95	6	12	57	<b>170</b>

### Priority activities

23. Efficient investment decisions will be key to achieving the ambitious impact goals of the 2017-2022 Strategy, and partner endorsed disease transmission models will provide valuable guidance for program investments in priority countries. Following three successful pilots, the Global Fund is planning collaborative impact modelling workshops with UNAIDS and priority countries from 2017 onwards to optimize program design. This streamlined and standardized process, with strong country engagement and partner oversight, is cost effective and will ensure that the best available evidence is consistently used to estimate disease burden, inform investment cases and national strategic plans, set concept note targets, and measure past and future impact in supported programs. A similar process is planned with technical partners for TB and malaria and will be pilot tested and implemented in 2016-2017.

24. As global funding for the three diseases begins to plateau, there is acute need to identify and scale innovative approaches that achieve greater health outcomes for a similar level of investment. At the facility level, it has been observed that some sites have developed innovative approaches in maximizing service delivery, tailored to client needs.<sup>1</sup> In order to learn from these cases, and strengthen the quality and efficiency of implementation within supported programs, an initiative has been launched in close collaboration with technical partners to design and implement differentiated care delivery models. Global Fund will work with partners and implementers to assess and rollout the approaches found to be most cost-effective. Pilots of quality improvement approaches began in 2016, with evaluation, economic analysis, and collection of lessons learned planned for 2017.

25. Improving effectiveness in challenging operating environments<sup>2</sup> through flexibility, innovation and partnerships is a priority of the Global Fund's new Strategy. In response, the Secretariat has significantly increased human resources dedicated to challenging operating environment portfolios. Implementation of the Challenging Operating Environment Policy, facilitating knowledge sharing

<sup>1</sup> *A Toolkit for Health Facilities Differentiated Care for HIV and Tuberculosis*. The Global Fund, November 2015.

<sup>2</sup> The Global Fund will base its classification of COEs on the countries with the highest External Risk Index (ERI) level in the Global Fund portfolio. The ERI is a composite index, developed by the Secretariat, which captures the complex and multidimensional reality of these countries. It is derived by compiling data from 10 authoritative published indices highlighting economic, governance, operational and political risks in a country. The ERI is updated on an annual basis and published on the Global Fund website.

across country teams, the adaptation of operational policies, and the strengthening of partnerships will be a key area of focus in 2017.

26. The Global Fund's new Sustainability, Transition and Co-financing (STC) policy calls for a "proactive approach to sustainability and transition", including comprehensive transition planning. In 2017, activities will focus on enhancing STC coordination at the Secretariat and proactively working with both countries and partner organisations to ensure transition and sustainability are well integrated into funding requests. In addition, the Secretariat will work closely with CCMs and external partners to develop transition readiness assessments, strengthen fiscal space analysis, initiate health financing strategies for countries with low overall spending on health, and explore the possibility of launching innovative financing mechanisms to address transition and sustainability challenges.

27. Project AIM (Accelerated Integration Management) was launched in late-2015 to evolve the Secretariat's grant management systems and fully integrate the use of up-to-date and robust data and information into core decision making. The optimized solution will be complemented by streamlined grant management processes throughout the grant lifecycle, and aligned data and information needs to enable efficient portfolio management. Implementation of the new operating system will continue with Release 4 in 2017 to cover optimized grant making, grant revisions and disbursement processes and aligned risk management and assurance, and Phase II to expand to enhanced portfolio reporting, portfolio optimization, CCM management, and sustainability & transition.

### **Recurrent activities**

28. The Differentiation for Impact (D4I) initiative, undertaken in 2016, comprehensively reviewed and rationalized the core business of the Grant Management Division with a view to increased operational differentiation, tailoring grant implementation support to the needs and contexts faced by country partners. Previously, Global Fund systems and processes favoured a uniform pattern of engagement. D4I has adapted these processes to respond to the diverse contexts in which we work in order to maximize impact and focus limited resources most effectively.

29. Three categories of portfolios – Focused, Core, and High Impact and two cross-cutting classifications – Challenging Operating Environments, and Transitioning portfolios, have been defined. A portfolio's categorization determines its key grant processes and requirements, and country team structure. Based upon the approved framework, governance and revised processes, Grant Management staff are being reallocated in alignment with the new differentiated approach. The revised model created under D4I increasingly aligns Grant Management effort and resources with disease burden and strategic priorities.

30. In 2016, the Implementation Through Partnership (ITP) project drove collaboration with partners to strengthen capacity to alleviate bottlenecks to program implementation, increase operational efficiency, and maximize impact. Recognizing that such collaboration and coordination of technical support should be core business of the Global Fund, ITP will be absorbed into routine grant implementation support in 2017.

31. Risk management is integral to the Global Fund's culture, strategic planning, decision making and resource allocation. A new engagement model for managing grant related risk that shifts focus to early and continuous engagement and formalized oversight is currently being rolled out. Using a differentiated approach across the country portfolio, the risk management experts independently participate in grant decision-making processes, serving as a control at key decision points. The revitalized risk management approach is accompanied by a differentiated approach to combined assurance that emphasizes tailored assurance planning, focusing especially on high impact and core countries. This new engagement model will be further strengthened in 2017.

32. 2017 will be a transition year in the grant lifecycle, as the final grants of the 2014-2016 funding period shift into full implementation and the grants funded early in the cycle prepare for new submissions to access 2017-2019 allocations. 197 out of 267 signed NFM grants have an end date in 2017, and will either need to develop a new funding request, or access their funding through the “program continuation approach”. To increase efficiency, a streamlined differentiated application and review process is being developed. Components with demonstrated performance and no material change in programming, or that have less than two years of implementation, could access the program continuation approach. Applicants with components in transition, COE countries, or those with limited material reprogramming, could access the tailored approach, while high impact countries or country components not reviewed by the TRP in the last allocation period will access the comprehensive ‘full’ review stream.

33. Supporting programs to scale-up evidence-based interventions, including tailored programs for key populations, is a key focus of routine access to funding and grant management operations. A key support to countries in the development of new funding requests is provision or facilitation of partner technical advice to strengthen the programmatic, health systems, RMNCAH, critical enablers or legal aspects of grant development. This includes funding and capacity building for country or regional coordinating mechanisms, enhancing local partnerships, and effective decision making.

34. Day to day management of the portfolio’s 406 grants forecast to be operational at the start of 2017 is the mainstay of the Secretariat’s work, along with focused operational risk management of 54 high impact and core countries. Reviewing annual funding requests and progress updates, making commitment and disbursement decisions and dealing with the range of other activities supporting grant implementation and country level partnerships takes up 47% of the total operating expense budget, up from 45% in 2016.

## Strategic objective 2: Build Resilient & Sustainable Systems for Health

35. A number of new initiatives have been launched to achieve the ambitious goals of the strategic objective to build resilient and sustainable systems for health. These initiatives must be effectively designed and embedded in the routine operations of the Secretariat if they are to be successful over the period of the Strategy. This will be a priority in 2017, as will partner engagement, which will continue to be essential if this ambitious objective is to be achieved.

### Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other (incl. External assurance)	Total
New priority	4	4	1	<1	<b>9</b>
Core activity	3	-	<1	7	<b>10</b>

### Priority activities

36. Procurement planning and supply chain issues have been identified as one of the key drivers of fund absorption challenges limiting the effective use of available resources. Weak supply chains remain a significant barrier to ensuring that essential health products get to the people that need them and put program investments at risk, both financially and programmatically. Development of the Global Fund’s

Supply Chain Investment Strategy aims to support in-country partners to drive lasting supply chain system improvements through a team of supply chain, health product, and logistics experts. In 2017, a dedicated Supply Chain Team will be fully mobilised, the Supply Chain Investment Strategy will be refined and finalized, and a new approach to Supply Chain Assurance piloted.

37. The availability and quality of data is the cornerstone to optimizing investment decisions and maximizing impact. To address weaknesses, the Global Fund has designed a comprehensive Program and Data Quality Strategy pairing a long-term investment in data within countries with a differentiated Secretariat approach to program and data quality assurance. In-country activities aim to strengthen data, analysis and decision-making at subnational and national levels to improve the quality and efficiency of service provision. This will include work with partners to support deployment of Health Management Information Systems (HMIS) and district health information systems (DHIS) that link directly with Logistic Management Information Systems. Integration of surveillance into health management information systems for better case reporting is a key area of focus, along with disaggregation of data by sex, age and population of interest. The Secretariat will provide support in the planning and coordination of this work, while in country technical assistance will be funded either through country allocations, Catalytic Investments (subject to Board approval), or the support from other in-country partners. The Global Fund will also align and differentiate internal systems to simplify reporting, finalizing M&E frameworks aligned to Differentiation for Impact requirements.

38. These efforts to foster a data driven approach to increased program quality will be complemented by rigorous and systematic in-country program evaluations to measure the implementation success and impact of Global Fund programs. This will ensure availability of reliable evidence that would inform investment decisions, ensure accountability and transparency, and facilitate continuous learning and improvement. The Secretariat will develop a modular evaluation approach, tailored to key country needs and risks. Budgets for evaluations will be integrated into grants, as appropriate. As part of differentiating Global Fund processes, such grant-funded program evaluations will serve as the basis for program and data quality assurance in focus portfolios, replacing activities previously conducted by the Local Fund Agents.

39. Strong in-country financial management is essential to ensure that Global Fund investments are used for intended activities and managed appropriately. The Global Fund is well positioned to support countries with financial management improvement, and in 2017 will seek to further embed such activities into the recurrent business of the Secretariat. Implementer financial capacity building activities will continue to strengthen routine grant financial management through intensified technical support in 8 high impact and core countries. In addition, financial capacity building activities focusing on the national system will seek to advance the use of country systems for financially managing Global Fund financing, primarily through development partnerships such as IHP+.

40. Communities are critical actors in improving population health, serving a vital role to broaden service reach, and overcome stigma, discrimination, and human rights abuses. As part of its new Strategy, the Global Fund seeks to strengthen community systems by updating policies to allow for funding of community organizations, and providing tools for implementers to better plan and cost their activities. This will be complemented by deepened and expanded partnerships, targeted advocacy, and technical support to strengthen the knowledge base and tools for effective community systems and responses.

41. The Global Fund makes significant investments in Human Resources for Health (HRH) through country grants. This represents both a responsibility to ensure such investments are sustainable and not disruptive, and an opportunity to work more closely with partners to ensure increased value for money from these investments. Currently, investments in HRH total USD 1.3 billion which represents approximately 13% of the entire portfolio amount. In addition to promoting more effective and strategic

Global Fund support for HRH by supporting the implementation of current HRH budgeting guidelines at the country level, the Global Fund will work at country level in coordination with partners (including WHO & USAID) to harmonize HRH support in 5 priority countries to eliminate duplication and imbalances in external HRH support.

### Recurrent activities

42. Programmatic data plays a central role in the Global Fund’s differentiated risk and assurance approach. The Global Fund will continue efforts to strengthen program quality assurance by supporting the implementation of health facility assessments, spot checks, evaluation of service quality by community based organizations, special studies and data quality reviews, using a differentiated approach. Results of data assessments will be used in high impact and core countries to improve service delivery & program efficiencies, and drive program improvements.

43. Integration of services is essential to ensure efficiency in delivering interventions, increasing access and maximizing results so that conditions affecting health of women, children and adolescents are addressed simultaneously. The Global Fund will continue work with partners to strengthen systems to deliver HIV, TB, and malaria services integrated along the RMNCAH continuum of care. Efforts in 2017 will focus on strengthened Access to Funding guidance and tools, internal knowledge dissemination and capacity building, strengthened technical support and advocacy partnerships, and the exploration of opportunities to leverage complementary financing.

## Strategic objective 3: Promote and Protect Human Rights & Gender Equality

44. Stigma, discrimination, and other violations of human rights undermine an effective response to the three diseases. Promoting and protecting the rights of people living with and affected by the diseases and reducing health inequities, in particular for adolescent girls, young women, and key populations, are essential to an effective response. Success in such efforts requires investing in the very practical programs that have been shown to reduce barriers to access, increasing uptake of and retention in services, promoting meaningful engagement of those most affected, and ultimately increasing the efficiency of Global Fund investments.

### Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	<1	1	<1	-	<b>1</b>
Core activity	3	-	<1	<1	<b>3</b>

### Priority activities

45. 2017 will emphasize collaboration with partners to carry out baseline studies in 15-20 countries to address major data gaps that will inform investment decisions and provide the data required to track progress over the next six years. These baseline studies will identify human rights (and gender)-related barriers to services, including for key populations, and will inform the design, implementation, scale-up and continued monitoring and costing of programs to address these barriers over the course of the Strategy. The Global Fund plans to work closely with partners to agree on best practices and integrate these into impact and financing models. A clear partner collaboration plan and country capacity building plans will allow for best practices to be implemented and scaled.

46. Gender related barriers to services, and gender inequality, increase health risks and increase vulnerability to HIV, TB and malaria. The Global Fund will ensure a more nuanced approach to analysing and responding to gender related barriers, including gender equality. This will be done by increasing Secretariat and in-country capacity on gender, and strengthening accountability to addressing gender and age disparities, including the integration of sex and age disaggregation into data systems for better decision-making.

47. Adolescent girls and young women (AGYW) suffer disproportionately high HIV infection rates in some settings, and a related high TB co-infection rate. The new Strategy aims to reduce new infections amongst AGYW, and other proxy indicators, by scaling up investments for this age group in 14 countries where the new infection rate is high, and where females are disproportionately impacted compared to their male peers. By working with technical partners, the Global Fund aims to support the development of gender-responsive investment cases and related National Strategic Plans, mobilize resources and technical assistance to complement Global Fund financing, and strengthen the capacity of in-country partners. Much of this will rely on strengthened partnerships with governments across Ministries, technical partners, and civil society.

48. Since its inception, the Global Fund has promoted the engagement and participation of affected communities in health governance. This will continue in 2017, with activities to document community engagement and the development of an action plan for promoting demand for engagement and accountability. Improving data and data systems on service coverage for key populations is another key priority for 2017, requiring close collaboration with technical partners.

#### **Recurrent activities**

49. Recurrent activities on human rights, gender and communities for 2017 will include continuing advice to country teams on inclusion of technically sound interventions in grants going through concept note development and grant signing, mitigating risks in the existing portfolio and managing complaints of violations. Additional efforts will be focused on portfolio analysis of investments, monitoring progress on the implementation of funded interventions, capacity development within the Secretariat, the TRP and CCMs, and facilitation of technical assistance to implementers.

### **Strategic objective 4: Mobilize Increased Resources**

50. The 2017-2022 Strategy has taken a multifaceted approach to mobilizing increased resources for the fight against the three diseases, covering not just increasing resources to be channelled through the Global Fund, but also efforts to increase domestic investments, explore innovative partnerships, and to secure increased value for money through coordinated market shaping activities.

## Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	External Co-funding Assumption <sup>3</sup>	Total
New priority	3	6	1	1	(6)	5
Core activity	13	<1	1	<1	(<1)	14

### Priority activities

51. Implementation of the Domestic Financing Strategy, which aims to support countries in their efforts to increase domestic investments in health, will continue into 2017 in 10 countries with launches in up to 5 additional priority countries in Africa. The country-focused strategy seeks to build on existing mechanisms to achieve country-set targets for increased domestic financing for health. It is complemented by a global multi-sector advocacy strategy to promote and sustain increased domestic financing for AIDS, TB and malaria programs, and for health.

52. As country economies grow, it is crucial that the Global Fund supports and incentivizes governments to invest domestic resources in health in order to complement Global Fund investments and maximize impact. Across the portfolio, the Global Fund's 'Investment Case' for the 2017-2019 replenishment is based on leveraging USD \$3 in domestic financing for every USD \$1 contributed by the Global Fund. The new co-financing approach, included in the Board-approved Sustainability, Transition, and Co-financing policy, aims to stimulate increased domestic financing for health and for the three disease programs. Increasing levels of co-financing are paired with differentiated and increasingly targeted requirements for area of spending, such as interventions for key and vulnerable populations and systems strengthening interventions, aimed at critical barriers to sustainability. In 2017, the Secretariat will ensure this new policy is operationalized and that its implementation and monitoring is embedded in the Global Fund's recurrent business.

53. Wambo.org, formerly known as the E-marketplace, was launched in 2016 to provide affordable, accessible, high-quality products to countries while automating procurement processes and increasing efficiency. By September 2016, the platform had already reached USD 159 million in transaction throughput. Wambo.org is a key tool for the Global Fund and partners to strengthen sustainable procurement practices, increase transparency across the market, shorten lead times, and enable critical savings, and will be further embedded into the Global Fund's operations in 2017.

### Recurrent activities

54. The September 2016 5<sup>th</sup> Replenishment Conference was the culmination of significant advocacy and mobilization efforts on behalf of the Global Fund and partners to secure resources for the fight against AIDS, tuberculosis and malaria. Donors pledged over USD 12.9 billion for the next three years, demonstrating an extraordinary global commitment toward ending the three epidemics for good. A review is planned for early 2017 to collect lessons learned, with a view to continuously improving the Global Fund's replenishment efforts.

55. The Secretariat will continue work in 2017 to further strengthen relations with existing and emerging public donors to ensure these pledges are turned into contributions delivered to agreed schedules. Private donors will remain a core focus area as the Global Fund continues to implement its Major Gifts Strategy, continuing to engage High-Net-Worth Individuals (HNWI), trusts and

<sup>3</sup> Budget assumption notes expected external co-funding for Wambo.org in 2017.

foundations, with particular emphasis on the evolving landscape in countries and markets where the Global Fund operates. The Global Fund will also seek to capitalize on past success and continue to grow the (RED) Partnership. (RED)'s cumulative 4<sup>th</sup> replenishment contributions are expected to reach USD 100m by the end of 2016, far exceeding the USD 40m pledge made at the 4<sup>th</sup> replenishment. Debt-to-Health will continue to be expanded following the signing of new debt swap deals in 2016 and other innovative financing mechanisms will be further explored.

56. Work to implement market shaping strategies in 2017 will focus on long-term sourcing strategies including global tenders for antimalarial drugs and rapid diagnostic tests, and managing the long-term agreements for bed nets, ARVs and viral load testing supplies. The Global Fund will explore providing access to other entities and non-PPM countries to its framework agreements, including negotiated prices and terms and conditions. In addition, specific procurement strategies will be implemented, which will include transforming the role of procurement service agents in managing procurement of non-core health products such as condoms, laboratory supplies, and essential medicines. Implementation of the Global Fund's revised Market Shaping Strategy will continue with the development of tools for long term market and opportunity analysis. This approach aims to facilitate healthier markets leading to improved access to affordable, quality-assured and innovative products.

## Governance, management, control and support activities

### Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	-	3	-	1	4
Core activity	35	8	4	32	79

### Priority activities

57. Priorities for the Secretariat's ongoing drive to secure greater value for money from its support activities will focus on two areas in 2017. To increase the efficiency and effectiveness of the delivery of Human Resources services at the Secretariat, the HR Transformation project is implementing a single user-friendly HR technology platform, that will service the entire employee lifecycle. The implementation of improved processes supported by effective IT and the outsourcing of the payroll service is expected to lead to a 40% reduction in related HR administration costs and increase data quality and reliability.

58. To help maximize the cost effectiveness of Secretariat operational expenditures, the Global Fund will move to new office premises in 2017, pending construction completion. The Health Campus will offer rental costs that are 40% lower than the current location, and the potential for further savings through shared services with other co-located organizations.

### Recurrent activities

59. Governance, communications, human resources, IT and office infrastructure, as well as the control functions in finance, risk, and legal support continue to enable efficient and effective operations in pursuit of the Global Fund's strategic priorities.

60. The Board of the Global Fund embodies the partnership approach to global health. The Global Fund's guiding philosophy, and the day-to-day work of the Board, embraces shared responsibility and a strong commitment by all involved. In 2017, the Board will continue to lead the implementation of the 2017-2022 Strategy, and through its standing committees provide governance oversight, approve commitment of financial resources, assess organization performance, manage risk, and engage partners for support, advocacy, and collaboration.

61. To strengthen its internal risk management and controls, the Global Fund has established an Enterprise Risk Committee, a forum where senior management proactively identifies emerging enterprise-wide risks, discusses the highest risks, and evaluates the adequacy of proposed mitigation measures; the output of which is reflected in the Organizational Risk Register. The organization has also utilized the international Committee of Sponsoring Organizations (COSO) internal control framework, a recognized best practice, as the basis for structured evaluation of controls in core business functions. Twenty core processes critical to achieve the mission and strategic objectives of the Global Fund have been identified and prioritized. Twelve have undergone a comprehensive internal review. Follow up actions will be the focus in 2017, with key risks discussed at the monthly Enterprise Risk Committee and tracked through the Organizational Risk Register.

## 05 Cost categories

62. The table below provides a summary of the full 2017 budget by major cost category. Five cost categories make up almost 95% of the total budget.

### Budget category (USD millions)

Staff	External Assurance	Professional fees	Office infrastructure	Travel	Total
156	52	33	27	17	<b>300</b>
CCM	Meetings	Communication	Board constituencies	Other	
9	3	2	1	<1	

63. The allocation of budget across cost categories show a number of changes when compared to 2016 expenditures. Professional fees, and travel show notable decreases, while staff costs see an increase. Reductions are primarily attributable to the alignment of the recurrent cost base with the new Strategy and concerted efforts in 2016 to find efficiencies. Increases in staff costs are primarily driven by hiring to support new strategic priorities.

### External Assurance expenditures (USD millions) <sup>4</sup>

2012	2013	2014	2015	2016 (F2)	2017 budget
76	64	48	48	55	52

<sup>4</sup> Up until 2015 this category included only LFA expenditures. 2017 budget includes budgeted activities for all external assurance work, including for both LFA and Health Facility Assessments.

64. In 2017, the Global Fund continues to transform its approach to external assurance services as it implements the recommendations from the Differentiation for Impact project. Ongoing efforts to differentiate services by risk and materiality, including the introduction of Health Facility Assessments have been augmented with further guidance on the approach to assurance in different portfolio classes. In Focus countries these changes have also introduced a cap to LFA fees, and program evaluations will replace traditional programmatic verification. Further, the Global Fund will re-examine the rates currently paid to assurance service providers.

#### **Travel expenditures (USD millions)**

2012	2013	2014	2015	2016 (F2)	2017 budget
14	19	18	20	20	17

65. While travel is essential for informed grant oversight and collaboration with in-country partners, the Global Fund has identified opportunities to increase efficiency of travel expenditures. Over the course of 2016, the Global Fund will implement a revised travel policy in combination with efforts to negotiate preferable rates with travel service providers and encourage managers to be more strategic with travel planning.

#### **Staff expenditures (USD millions)**

	2012	2013	2014	2015	2016 (F2)	2017 budget
<b>Staff</b>	133	127	138	140	146	156
<b>Prof fees</b>	53	39	45	45	38	33

66. As a financing mechanism, primarily responsible for grant administration and oversight, the Global Fund's key cost category has always been staff costs. In 2017, staff costs will account for around 50% of Global Fund operational expenditures. This increase in staff costs is partially offset by a reduction in professional fees, which have seen a 12% reduction when compared to 2016 expenditures as a result of discontinuing engagements that were no longer relevant to the revised Strategy. Staffing efficiencies are expected as a result of new IT service improvements, and operational workforce planning is underway and strategic workforce planning will be developed in 2017, as staffing requirements in relation to the new strategy are rigorously reviewed.

## V. Performance

67. Performance against Strategic Objectives will be monitored and assessed against the Global Fund Strategic Performance Management Framework. Priority activities, by their nature, are more discrete pieces of work which in time will contribute to improving performance against the KPIs. The table below provides a summary of expected deliverables and outcomes. Further detail on Strategic KPI targets for 2017 are available in an accompanying document (GF/B36/06).

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
<b>Strategic objective 1:</b> Maximize Impact Against HIV, TB and malaria	<b>2017 New priority activities</b>	5	
	1. Impact modelling		1. Collaborative impact modelling workshops conducted with 8-10 High Impact countries per disease
	2. Program quality and efficiency		2. Pilots of quality improvement approaches in 10-12 countries; Operational guidance and tools for differentiated quality of care improvement approaches disseminated in 10+ countries [All subject to approval of Catalytic Funds]
	3. Challenging Operating Environments		3. Operational policies for Challenging Operating Environments implemented
	4. Sustainability & Transition		4. Development of Transition Readiness Assessments for selected countries; Development of tools and guidance for Country Teams, PRs, and CCMs in the build up to the 2017 funding cycle
	5. Project AIM (Accelerated Integration Management)		5. Release 4 of the AIM platform
	<b>Core activities</b>	170	<ul style="list-style-type: none"> <li>▪ Strong Corporate &amp; Operational KPI performance:               <ul style="list-style-type: none"> <li>- KPI 3 Alignment of investment with need</li> <li>- KPI 4 Investment efficiency</li> </ul> </li> </ul>

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
	<ol style="list-style-type: none"> <li>2. Facilitate effective grant review through TRP &amp; GAC meetings, schedule to be determined in Q4 2016</li> <li>3. Measurement and forecast of impact and results reported semi annually</li> <li>4. Manage investments in more than 406 ongoing grants</li> <li>5. Manage operational risk with a focus on 54 high impact and core countries, including the development of assurance plans</li> <li>6. Annual Operational Risk committee review of 30 High Impact and Risk Country Portfolios</li> <li>7. Support country level grant implementation partnerships</li> </ol>		<ul style="list-style-type: none"> <li>- KPI 5 Service coverage for key populations</li> </ul>
<b>Strategic objective 2:</b> Build resilient & sustainable systems for health	<b>2017 New priority activities</b> <ol style="list-style-type: none"> <li>1. Build in-country supply chain capacity</li> <li>2. In-country data systems strengthening</li> <li>3. M&amp;E Strategy</li> <li>4. Financial management improvement</li> </ol>	9	<b>2017 New priority activities</b> <ol style="list-style-type: none"> <li>1. Supply chain department established; Supply Chain Investment Strategy and Operational Plan approved; Supply chain transformation projects continued in 3 countries</li> <li>2. HMIS or DHIS deployed or strengthened in 40 high impact and core countries</li> <li>3. Program evaluations (including reviews and impact assessment) in 25 countries used for assurance and strategic investments</li> <li>4. New capacity building projects initiated in 8 countries; Completion of Public Financial Management / donor harmonization work in 3 countries; Joint financial management assessments initiated for an additional 1-2 countries, and action plans developed</li> </ol>

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
	5. Strengthen community responses		5. Mechanisms for effective sub-contracting established, guidelines rolled out; Needs assessment paper on tools for quantifying and planning community responses produced with Health Data Collaborative; Targeted support to community monitoring and advocacy for accountability in 10 countries [Subject to approval of Catalytic Funds]
	6. Human Resources for Health		6. All new grants compliant with Global Fund HRH budgeting guidelines; HRH assessment conducted with USAID in 5 countries; Joint support provided with UNICEF on iCCM and CHW in 12 focal countries
	7. National Strategic Plans		7. Guidance and tools adapted to facilitate alignment of applications with National Health Strategies and national disease-specific plans; Innovative NSP-based application approaches piloted in 5-10 countries
<b>Core activities</b>			
	1. Health Facility Assessments, Data Quality Reviews, or special studies for program & data quality assurance delivered in all high impact and core countries	10	<ul style="list-style-type: none"> <li>▪ Strong Corporate &amp; Operational KPI performance:               <ul style="list-style-type: none"> <li>- KPI 6 Strengthen systems for health</li> <li>- KPI 7 Fund utilization</li> </ul> </li> </ul>
	2. Results of data assessments used in high impact and core countries to improve service delivery & program efficiencies		
	3. Provide RSSH technical support to country teams		
	4. MoUs with UNICEF and UNFPA updated to leverage complementary financing and technical support in RMNCAH		
	5. 12 GFF countries supported to incorporate RMNCAH investment cases into Global Fund applications		

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
<b>Strategic objective 3:</b> Promote and protect human rights & gender equality	<b>2017 New priority activities</b> 1. Establish and operationalize evidence base for human rights interventions  2. Increase capacity and data on gender  3. Scale-up investments in AGYW  4. Key populations engagement	1	1. Baseline established for each Human Rights focus country; Revised Global Fund guidance and module regarding programs to remove human rights barriers relevant to HIV, TB and malaria; Partner collaboration plan and Country capacity building plans established  2. Workshops implemented on data analysis and grant implementation  3. Support gender-responsive investment case pilots in 3-5 countries; Funding for Girls Collaboration launched and supported; Establish and operationalize accountability framework on gender equality, including the M&E framework for 14 focus countries  4. Mechanism for enhanced engagement of key and vulnerable populations with the Global Fund established; CCM induction training
	<b>Core activities</b> 1. Provide technical support on Human Rights, Gender, and Key and Vulnerable Populations to country teams 2. Manage Human Rights risks, complaints and reported violations 3. Track Human Rights, gender, and key populations-related investments		3
<b>Strategic objective 4:</b> Mobilize increased resources	<b>2017 New priority activities</b> 1. Wambo.org embedded into routine activities	5	1. Fully implement and roll-out the online procurement platform WAMBO.org and embed into routine activities;

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
	<ul style="list-style-type: none"> <li>2. Operationalize new co-financing policy</li> <li>3. Domestic financing strategy</li> </ul>		<p>Launch preparations for expansion beyond currently registered PPM users</p> <ul style="list-style-type: none"> <li>2. Operational policies on co-financing approved and disseminated; 90% of the countries accessing funding each year provide sufficient domestic financing commitments to be eligible for the full co-financing incentive</li> <li>3. 15 countries supported through Domestic financing strategy</li> </ul>
<b>Core activities</b>		14	
	<ul style="list-style-type: none"> <li>1. Collect replenishment lessons learned and refine replenishment, donor engagement and political and civil society advocacy strategies</li> <li>2. Engagement with donors to secure new pledges and ensure pledge conversion</li> <li>3. Expand existing, and develop new, innovative financing mechanisms and partnerships</li> <li>4. Monitoring counterpart financing thresholds, pledges and contributions</li> <li>5. Framework agreements in place for ARVs, bed nets, and viral load testing supplies</li> <li>6. Long-term strategic tenders launched for antimalarial drugs and rapid diagnostic tests</li> </ul>		<ul style="list-style-type: none"> <li>▪ Strong Corporate &amp; Operational KPI performance: <ul style="list-style-type: none"> <li>- KPI 10 Resource mobilization</li> <li>- KPI 11 Domestic investments</li> <li>- KPI 12 Availability of affordable health technologies</li> </ul> </li> </ul>
Governance, management, control and support activities	<b>2017 New priority activities</b>	4	
	<ul style="list-style-type: none"> <li>1. HR transformation</li> <li>2. Move to Health Campus</li> </ul>		<ul style="list-style-type: none"> <li>1. HR technology platform; Outsourcing of payroll services</li> <li>2. Workspace concept and interior construction; Building interior furnished (pending building completion)</li> </ul>

Strategic Objective/Enabler	Major activities	2017 Budget (USD m)	Expected deliverables & outcomes
	<p><b>Core activities</b></p> <ol style="list-style-type: none"> <li>1. Strong Board governance, advisory, and partnership</li> <li>2. Full implementation of the Governance Performance Assessment Framework including annual assessments of the Board and its standing committees</li> <li>3. Quarterly update of the Organisational Risk Register</li> <li>4. Efficient management of the Global Fund secretariat</li> <li>5. Provision of essential control and support services</li> </ol>	79	<ul style="list-style-type: none"> <li>▪ Strong Corporate &amp; Operational KPI performance across strategic objectives</li> </ul>
<b>Total</b>		<b>300</b>	