

34th Board Meeting

Corporate Workplan & Budget Narrative 2016

GF/B34/13

Board Decision

PURPOSE: This document presents a work plan and narrative as complement to the Global Fund 2016 Operating Expenses Budget (GF/B34/14)

I. Decision Point

1. The 2016 Corporate Work Plan and Operating Expenses Budget share the same decision point (GF/B34/DP06), which can be found in the 2016 OPEX Budget document (GF/B34/14).

II. Executive Summary

2. The 2016 Global Fund Corporate Work Plan and Budget Narrative forms a key component of the financial reporting, planning and control structures of the organization. The document identifies key priority initiatives required in 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, Priority 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 16-20).

3. Setting the priorities for 2016 was guided by a quarterly review of corporate performance by senior management, as well as broad consultations to inform development of the 2017 Strategy. The Management Executive Committee (MEC) defined five corporate priorities for 2016, as follows:

- a) *Optimize funding implementation for maximum impact*
- b) *Develop and implement the Global Fund strategy*
- c) *Improve data and systems*
- d) *Support a successful replenishment*
- e) *Invest in people*

4. USD 31m of the operating expense budget has been allocated to these priority work streams, and the remaining USD 274m budget is devoted to core activities of the Global Fund.

5. The operating budget's allocation across Strategic Objective remains largely stable from 2015, apart from a shift in resource from the access to funding activities of Strategic Objective 1 to grant management activities under Strategic Objective 3. This shift is directly aligned and driven by the Global Fund's funding cycle, as requests for funding transform into new grants in country. 2016 will also see a scale-up of several priority work streams to drive improvements in IT, project management and integration, and implementation of recent Board decisions on governance.

6. At the 4th Replenishment, the Secretariat made a commitment to remain within a USD 900m operating expense budget envelope over the 2014-2016 period, and the organization is well on track to meet this commitment. This discipline has enabled the Secretariat to lower the ceiling set for its key operational expense ratio for the first time. The Secretariat intends to extend this discipline and stabilization of the budget into the next replenishment cycle with a zero based approach in 2016 that will restate the recurrent operating cost for the three year replenishment period.

III. Introduction

01 The Global Fund Planning Cycle

7. The 2016 Global Fund Corporate Work Plan and Budget Narrative forms a key component of the framework for 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, Priority 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. This improved planning methodology has enabled the organization to orchestrate the funding of a series of major transformative initiatives, simultaneously managing its portfolio of existing grants and maintaining operational expense budgets within the USD 900m budget ceiling set for the 2014-16 replenishment period. These initiatives have included the implementation of the New Funding Model, Finance Step-Up, and E-Marketplace, and they have transformed the Global Fund's decision-making agility, its optimization of operational efficiencies and ultimately its capacity for better grant management.

9. 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. 2015 has seen further development of the planning cycle with improvements to prioritization procedures, and this effort will be completed in 2016 when the organization will use a zero-based budgeting approach to develop the 2017 budget. This exercise, informed by a series of pilots conducted in 2015, will link the work plan, resource allocation and work force planning with strategy implementation planning to restate the recurrent cost base of the Global Fund and ensure optimal alignment of Secretariat resources with strategic needs.

10. The Mid-Term Plan (GF/FOPC16/19) complements the work plan and strengthens the link between annual budget decisions and the Global Fund Strategy. With a focus on financial data, the plan provides a forecast of grant and operating expenses over a rolling three year period. The full benefits of the Mid-Term Plan will be realized in 2016 as the organization moves to optimize its portfolio investments. 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 2016 to link financial and programmatic forecasts, providing an end-to-end view to senior management and the Board.

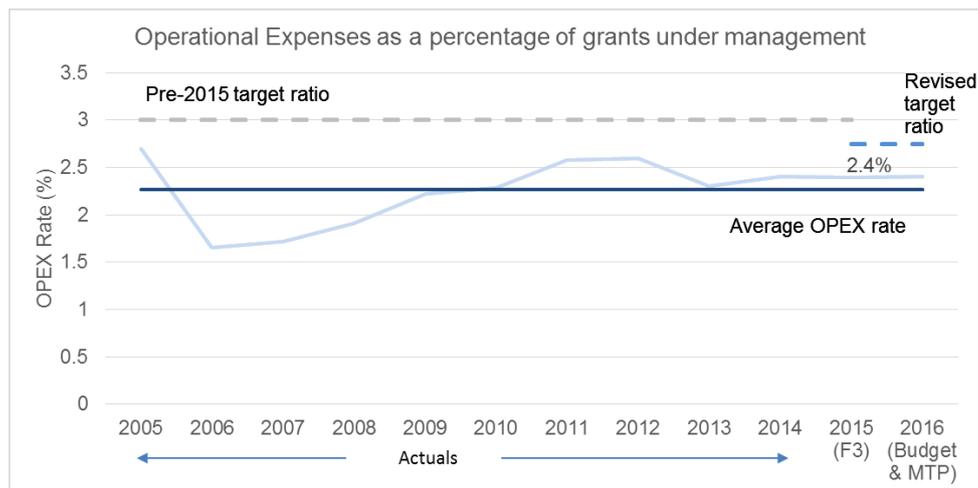


02 Budget Summary

11. The Global Fund operational expense budget reflects three core objectives:

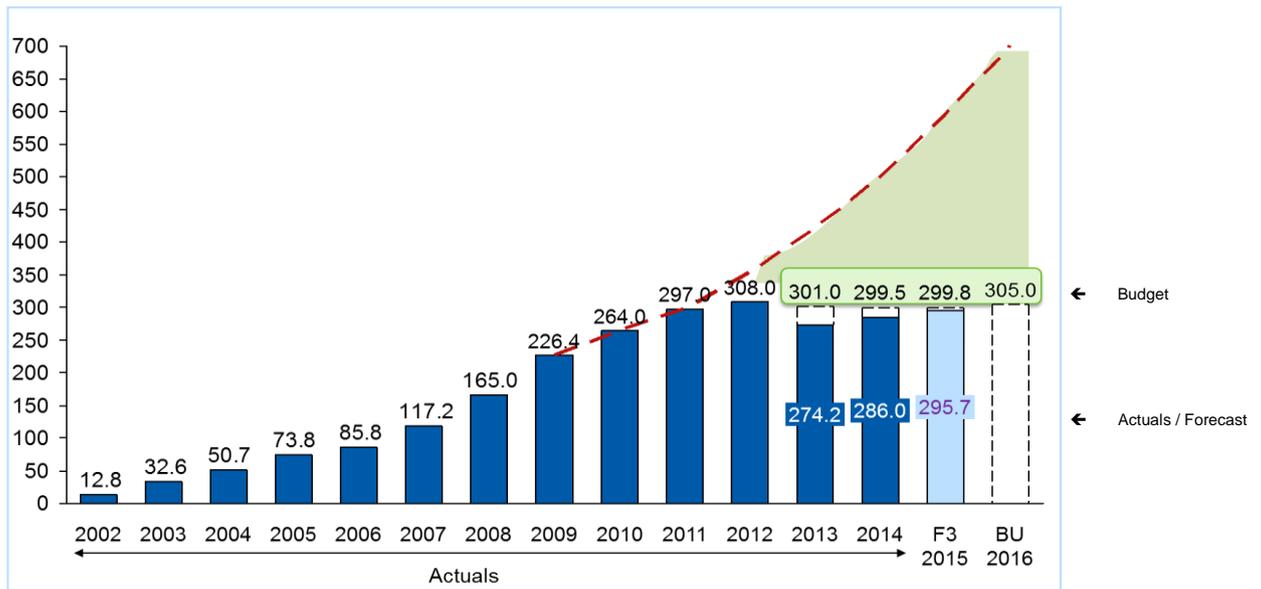
- a) Achieve value for money by maintaining discipline seen in 2013 – 2015;
- b) Ensure available resources are invested in the major priorities of the Secretariat in its transformation; and
- c) Adhere to the overall resource framework set for the 4th Replenishment.

12. Responsible and rigorous financial management are key principles for the Global Fund as an international financial institution. At the 4th Replenishment, the Secretariat made a commitment to remain within a USD 900m operating expense budget envelope over the 2014-2016 period, and the organization is well on track to meet this commitment. This has enabled the Secretariat to lower the ceiling set for its key operational expense ratio for the first time. After a six year period of growth the ratio has stabilized and it is expected to continue at this level into the next replenishment period.

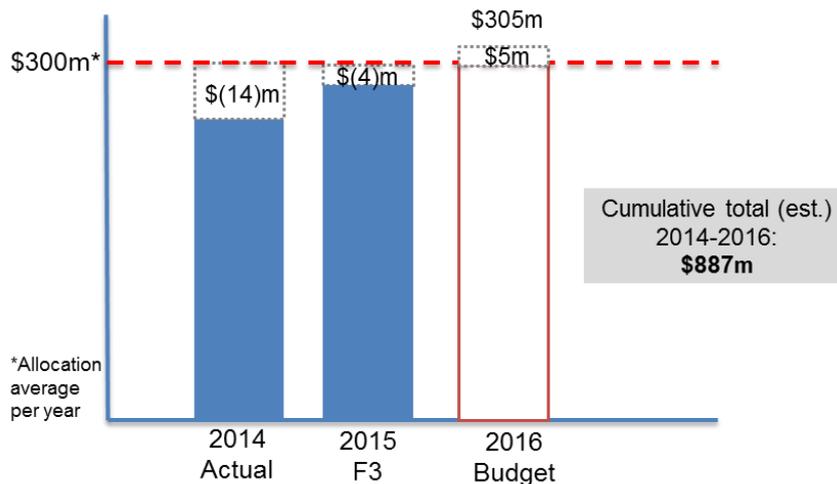


13. The 2016 budget consolidates the gains in efficiency captured over the replenishment period to support Secretariat priorities. The figure below shows the Global Fund continuing to tightly manage its operating expenses with the stabilization of budget requirements seen from 2013 maintained into 2016. It also illustrates the increased effectiveness of Secretariat and operating expense management with important reductions in annual underspending.

Development of operational expenses of the Global Fund
USD Millions



14. This underspending by the Secretariat in 2014 and 2015 has created potential flexibility within the USD 900m ceiling for 2016. The Secretariat intends to extend this discipline and stabilization of the budget into the next replenishment cycle with a zero based approach in 2016 that will restate the recurrent operating cost for the three year replenishment period.



IV. Discussion

03 2016 Corporate Priorities

15. The process to set corporate priorities for 2016 was greatly facilitated by quarterly review of corporate performance by senior management, and broad consultations to inform development of the 2017 Strategy. Discussions with key staff reviewed these inputs allowing development of a first draft of potential priorities for 2016 and identification of the major initiatives required to deliver them. These were then further refined by the Management Executive Committee (MEC) into five corporate priorities.

16. Further improvements to the planning process were introduced in 2016 to improve prioritization, and to better embed initiatives into the budget process and the management of the organization more generally. Work plans and budgets for each initiative were developed by MEC-nominated project managers. These proposals were reviewed and approved by MEC before integration into the full budget process covering “priority” activities – the new work or work requiring additional focus to deliver the current strategy and prepare for implementation of the next strategy – and “core” activities, which represent the underlying business model of the organization.

17. The five priorities can be summarized as follows:

a) Optimize funding implementation for maximum impact

2016 will see operations shift focus from grant making to grant implementation with the aim of maximizing effective use of funds at portfolio and country level. Internally this will include changes to the way we do business to ensure the practice of grant management is differentiated to align with country needs, and to enable the introduction of innovations such as the E-Marketplace.

b) Develop and implement the Global Fund strategy

With submission of the 2017 Strategy for Board approval scheduled for early 2016, significant preparation for an effective and timely roll out of the Strategy will be required next year. Subject to approval of the strategy framework, activity will focus on policy and early implementation of work on complex operating environments, sustainability, resilient and sustainable systems for health, human rights and gender. Aligning resources within the secretariat to meet the needs of an effective strategy implementation plan will be a key part of this work.

c) Improve data and systems

Sound evidence is key to maximizing impact. Efforts in 2016 will seek to improve data, systems and effective decision making from the facility level to the Secretariat. At the country level, this will particularly focus on program quality and efficiency, and at the Secretariat level, the aim will be to better integrate data, systems and analysis into working practices. Project AIM (Accelerated Integration Management) will be a key driver of this effort to align information needs with business processes and systems.

d) Support a successful replenishment

As highlighted by the resource needs assessment, domestic investments are central to a sustainable response to the three diseases. Replenishment efforts in 2016 will focus on supporting increased domestic commitments as well as engagement with existing and new donors from the public and private sector in the run up to the replenishment launch scheduled for mid-2016. Communications support and media engagement will give increased visibility of the results and impact achieved by the country-led programs supported by governments, the Global Fund and partners.

e) Invest in people

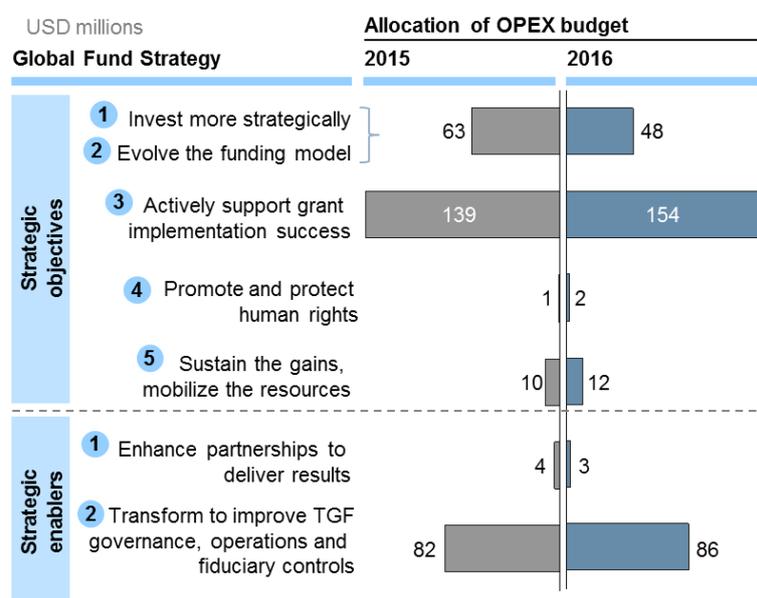
As a continuation of the Secretariat’s investments in supporting and strengthening its human resources, 2016 will see a particular focus on staff engagement and development.

Priority	2016 Budget (USD m) ¹
Optimize funding implementation for maximum impact	9.9
Develop and implement the Global Fund strategy	6.3
Improve data and systems	12.4
Support a successful replenishment	1.7
Invest in people	0.6 ²
Total assigned to priority projects	31

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 Strategic Enabler.³ Note, the information should be interpreted with care. Strategic Objectives and Enablers 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. For example, much of the activity directly related to supporting more strategic investments and more effective grant implementation is conducted through strong partnerships, even if it may be budgeted as *Invest more strategically* or *Actively support grant implementation success*.

19. For *Strategic Objective 4: Promote and protect human rights*, it should be noted that these costs reflect the work on policy, procedures and advisory activities only, and it does not include work dealing with human rights issues in day to day grant management or assurance activities; the provision of technical support on human rights to implementers; nor the sums invested in human rights interventions in grants.



¹ It should be noted that correspondence between Priorities and Strategic Objectives cannot be technically achieved on a one to one basis; a couple of the priorities notably Develop and implement the Global Fund Strategy, cut across multiple objectives. Annex I provides a mapping of priority to strategic objective for reference.

² Includes Staff Engagement survey. Does not include buildup of additional internal resources.

³ For the purpose of the 2016 work plan *Strategic Objective 1: Invest more strategically* has been merged with *Strategic Objective 2: Evolve the funding model*. Activity in this area is increasingly difficult to differentiate between the access to funding stage of the grant life cycle and work on strategic investment of grant funds more generally. To reduce the risk of introducing arbitrary splits in this work the two objectives have been merged in this budget analysis.

20. 2016 budget allocations are clearly driven by the Global Fund’s funding cycle. As requests for funding turn into new grants on the ground, there is a significant shift away from the access to funding activities of Strategic Objective 1 to grant management activities under Strategic Objective 3. The other major change relative to 2015 is an increase for Strategic Enabler 2 driven by increased investments in IT, the establishment of a function to enhance project management and integration, and implementation of recent Board decisions on governance.

21. The other areas remain largely stable when compared to 2015 with small increases in Strategic Objectives 4 and 5 due to additional focus on implementation planning for the next strategy and replenishment activities. The partnership Strategic Enabler sees a slight decline as the costs of the 2015 partnership fora and strategy consultations end.

22. The following sections provide an objective by objective overview and a breakdown of the operational expense budget for the Secretariat’s planned work in 2016, differentiating between priority-related and core activities.

Strategic objectives 1 & 2: Invest more strategically & Evolve the funding model

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other (incl. External assurance)	Total
New priority	1	2	<1	<1	3
Core activity	21	4	8	12	45

Priority activities

23. In 2016, strategic investment will start to shift focus from approval of new grants to optimization of the existing portfolio. Through improved financial monitoring the Secretariat has been able to assess the potential for re-optimization of the grant portfolio during the current allocation period. This financial re-optimization will be conducted at a grant, disease, country and then ultimately at a portfolio level to ensure that investments in programs achieve maximum impact. The Secretariat will use levers built into existing operational policy and the comprehensive funding policy to drive optimization. The effects on programs and on the overall asset / liability position of the Global Fund will be closely tracked.

24. Lessons from the first cycle of the new funding model have reemphasized the need for good data to optimize investment decisions and maximize impact. It has also brought to light the limitations of current systems to provide data at the level of quality required. The Data Management for Impact initiative launched in 2015 has developed a comprehensive approach to the issue, and work will focus on three initiatives in 2016 to advance impact modelling, improve results tracking, and strengthen country data systems and program quality.

25. The impact modelling work with technical partners and selected countries aims to set robust, ambitious and achievable impact and results targets for the new strategy aligned with the Needs Assessment and the Allocation Model. This work, with partners and implementers, will also seek to ‘close the loop’ and inform investment decisions and plans at country level, maximizing the efficiency of all funds invested in national programs. In parallel, the Secretariat will upgrade existing internal policies, procedures and systems to improve programmatic data and information management.

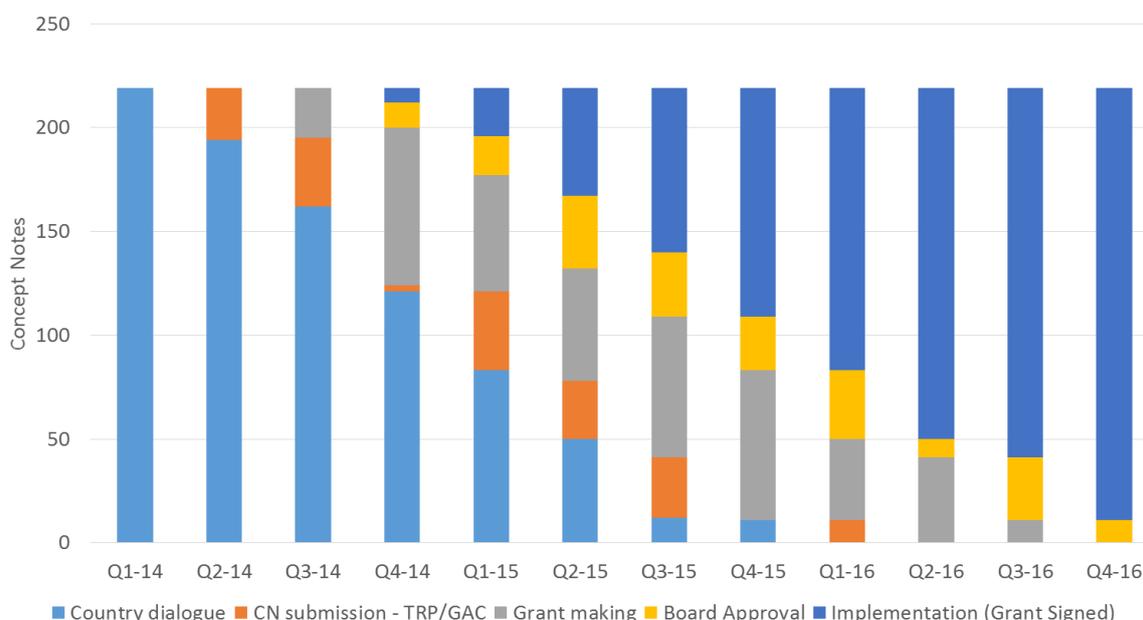
26. In country, the Data Management for Impact initiative aims to strengthen data, analysis and decision-making at district and national levels to improve the quality and efficiency of service provision. This will include work with partners to support deployment of Health Management Information Systems (HMIS) or district health information systems (DHIS) that link directly with Logistic Management Information Systems, as well as the roll-out of Health Facility Assessments (HFA) and evaluations of service quality by community-based organizations. 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.

27. Beyond the activities noted elsewhere on data and information, procurement and supply chain, and financial and risk management, 2016 health systems strengthening work will continue the transition of the Global Fund's strategic approach to one of fostering resilient sustainable systems for health. This work will focus on the planning and rollout of enhanced approaches to reproductive, maternal, newborn, child and adolescent health (RMNCAH), integrated service delivery platforms and human resources for health, as well as country level community systems.

28. In preparation for the launch of the 2017-2019 allocation period, work will be required in 2016 to implement agreed changes to the allocation model. The results of the 5th Replenishment are expected to be available in mid-2016, which will support decisions on final allocations to be taken at the 36th Board Meeting in November 2016 in preparation for communication to countries by end of the calendar year. This timeline positions the Secretariat and countries to begin roll out of the next funding period in January 2017.

Core activity

29. The focus of recurrent work on strategic investment will be to continue to support the remaining countries through the final stages of the access to funding process, as illustrated in the figure below. This includes provision or facilitation of partner technical advice to implementers to support concept note development, and strengthening the programmatic, health systems, RMNCAH, critical enablers or legal aspects of grant development. It also covers funding and capacity building for country or regional coordinating mechanisms enhancing local partnerships and effective decision making.



30. The Secretariat expects to have processed 219 concept notes through the new funding model over the 2014-2017 period. It is expected that 110 concept notes will result in signed grants by the end of

2015, and a further 98 components in 2016. Following a peak in activity over the first three quarters of 2015, workload will continue to tail off steadily to the end of this replenishment period.

Strategic objective 3: Actively support grant implementation success

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other (incl. External assurance)	External Co-funding Assumption ⁴	Total
New priority	9	7	2	2	(3)	17
Core activity	71	6	7	53	-	137

Priority activities

31. Analysis of financial metrics, made available by the Finance Step-Up initiative, has enabled the Secretariat to identify that effective use of funds at country level has been progressing at a slower rate than forecast. The Implementation Through Partnership (ITP) project will drive collaboration with partners in 2016 to strengthen capacity to alleviate bottlenecks to program implementation, increase operational efficiency, and maximize impact. This work will initially focus on three areas: financial capacity, health product management, and programmatic capacity.

32. Financial capacity building activities will improve financial data, support capacity building projects across 20 focus countries, as well as manage specific financial factors related to accounting processes and procedures in country. Activities focused on health product management will improve forecasting and quantification, support supply and procurement planning and process development, and improve logistics and supply chain management in country. Finally, the programmatic focus of this work will examine disease-specific and cross-cutting program priorities to analyze and recommend portfolio shifts that will maximize impact.

33. Procurement planning and supply chain issues have been identified as one of the key drivers of fund absorption challenges. As a complement to the Implementation Through Partnership work which will drive alleviation of bottlenecks to fund absorption across much of the High Impact portfolio, the Supply Chain Investment Strategy aims to take a longer-term approach on a targeted group of countries. The strategy developed in 2015 will be rolled out in 2016 to support Country Teams in developing and managing supply chain improvement initiatives in selected countries. A small team of supply chain, health product, and logistics experts will work closely with in-country partners to drive supply chain system improvements.

34. The third component of the plan to improve procurement and supply chains will be the launch of the E-Marketplace in 2016. Development and design of the initiative in 2015 provides the opportunity for testing in pilot countries in 2016. The aim of this platform is to provide affordable, accessible, high-quality products to countries while automating procurement processes and increasing efficiency. The E-Marketplace is designed to strengthen sustainable procurement practices, increase transparency across the market, shorten lead times, reduce stock outs and enable critical savings.

35. Other initiatives to support grant implementation success will see the Global Fund continue to pursue increased operational differentiation, tailoring grant implementation support to the needs and contexts faced by country partners. In 2016 this effort will adapt and simplify the grant management approach for country portfolios operating in low disease-burden and low-risk settings. Specifically,

⁴ Budget assumption notes expected external co-funding for the E-Marketplace initiative in 2016.

this work will streamline and differentiate support through Results Based Funding (RBF) models, and new approaches to Challenging Operating Environments (COEs). This will be closely linked to roll out of the differentiated approach to risk and assurance in 2016, based on the design and pilot activities conducted this year.

36. A 2015 assessment of the status of the Secretariat’s Grant Management Platform found that key challenges had hindered progress to date. A fresh approach with dedicated project management will be put in place to fully integrate the use of data and information into core decision making. Project AIM (Accelerated Integration Management) will ensure information needs are aligned and are built into processes and systems to enable efficient portfolio management.

Core activity

37. Day to day management of the portfolio’s 402 grants forecast to be operational at the start of 2016 is the mainstay of the Secretariat’s work, along with focused operational risk management of 180 high impact, high risk and high materiality grants. As the access to funding stage of the current fund cycle winds down, the focus on active grant management increases and 2016 will see the new grants signed in 2015 reach their first annual performance review. 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 45% of the total operating expense budget, up from 42% in 2015.

38. Work implementing global sourcing strategies in 2016 will focus on bed nets, diagnostics, and drugs for opportunistic infections. These efforts will build on the important savings and benefits already generated, including 9% savings in 2014 and 4% savings in the first half of 2015. 2016 will also see the implementation of the Global Fund’s revised Market Shaping Strategy. This approach aims to facilitate healthier markets leading to improved access to affordable, quality-assured and innovative products.

Strategic objective 4: Promote and protect human rights

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	1	<1	<1	-	2
Core activity	<1	<1	<1	-	<1

Priority activities

39. In this first cycle of the new funding model, investments in human rights programming have remained limited to HIV programs in a relatively small number of country or regional proposals. In addition, investments have often focused on interventions which do not necessarily result in change within the short life cycle of a grant, such as legislative reviews and advocacy to change laws and policies.

40. In preparation for the implementation of the new strategy, activities in 2016 will emphasize collaboration with partners in three areas. Firstly, this work will focus on identifying barriers to greater uptake of human rights programs, and identifying countries with the greatest need and opportunities for introduction and scale-up of these programs. Secondly, this will be accompanied by efforts to improve the evidence base on the effectiveness of human rights interventions to improve investment decisions. Thirdly, efforts will be required to develop methodologies for better monitoring and evaluating the effectiveness of human rights interventions funded by the Global Fund, and to model the

health impact of these investments with the aim of reaching consensus on an impact measurement framework for human rights.

41. The human rights focus of this strategic objective is likely to be extended in the next strategy to include issues of gender- and age-related disparities in health. As with human rights, much of the focus of this work in 2016 will be on improving data and evidence of intervention effectiveness to inform and monitor strategy implementation. Specific efforts will be required to ensure that country-level health information systems can provide disaggregated data by sex, age and populations of interest (through the Data Management for Impact initiative described above). This work will underpin programming in transition policies, and will directly support work related to other priority areas maximizing the impact of the Global Fund’s investment decisions.

42. Development of mechanisms to increase meaningful participation of key and vulnerable communities, adolescents and young people in Global Fund related processes will also be a key element of this work in 2016. All of this planning work will be closely conducted with partners and will result in detailed, budgeted implementation plans in place for the components of the strategy related to disparities in human rights, gender and age, with clearly defined roles for partners and broad buy-in.

Core activity

43. The focus of recurrent human rights work for 2016 will be to continue work with countries on inclusion of technically sound human rights interventions in the final grants going through concept note development and grant signing, mitigating human rights risks in the existing portfolio and managing complaints of violations. Additional efforts will be focused on portfolio analysis of human rights investment, monitoring progress on the implementation of funded human rights interventions, as well as facilitation of technical assistance to implementers.

Strategic objective 5: Sustain the gains, mobilize resources

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	1	<1	1	<1	2
Core activity	8	1	1	<1	10

Priority activities

44. Based on the Needs Assessment conducted with partners in 2015, 2016 will see a scale up of activities required to secure the funding need identified for the 2017-2019 period. The two goals of this work will be to provide advocacy and technical support to selected countries to support them in continuing to meet the ambitious domestic funding increases seen over current funding period, and to engage with existing and new donors to ensure a successful 5th replenishment for the Global Fund.

45. The 2014 Domestic Financing strategy was rolled out to seven countries in 2015, and this work will continue into 2016 with launches in seven additional countries. 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.

46. Replenishment efforts will see implementation of the next stage of recommendations from the 2015 donor scoping study, and will provide increased visibility for the impressive impact that programs supported by the Global Fund are having on the ground. In addition to direct engagement with donors, in the run up to the Replenishment Launch event the Secretariat will seek to engage advocates, partners, and champions within Government, Private Sector and Civil Society. Communications support and media engagement will focus on key replenishment related events, as well as story gathering trips resulting in content, advocacy, and media targeting key donor decision makers.

47. In preparation for the roll out of the new Strategy, 2016 will also see development of guidance and policies on programmatic and financial sustainability necessary to roll out “transition” funding for eligible countries. The Secretariat will coordinate closely with external partners to bring key program areas together for joint transition planning, and to develop tools for transition support including a transition readiness assessment and joint fiscal space analysis.

Core activity

48. Monitoring adherence to the counterpart financing thresholds, and tracking domestic financing pledges and contributions are the key elements of the Secretariat’s recurrent work on financial sustainability. Domestic financing pledges from implementing countries to date in 2015 have reached USD 19 bn for 2015-2017, already USD 5.7 bn greater than contributions for the 2012-14 period. Continued tracking of these pledges and monitoring whether pledges are turned into actual contributions will be conducted in 2016.

49. Donors pledged USD 12 bn to the Global Fund at the launch of the 4th Replenishment; this was the largest amount ever committed to fight against AIDS, tuberculosis and malaria. The Secretariat will continue this work in 2016 to ensure these pledges are turned into contributions delivered to agreed schedules. Private donors will also remain a core focus area with the potential for further engagement of High-Net-Worth Individuals (HNWI). This is based on an evolving wealth landscape, particularly in countries and markets where the Global Fund operates.

50. In addition to engaging Private Sector donors, the Global Fund will continue to draw on private sector expertise for innovative financing solutions and in-country support. The Innovation Hub, established as a priority partnership engagement platform in 2015, continues to engage private sector expertise to pursue innovative solutions for improving procurement and supply chains, financial and risk management, and program quality in country. Currently over 15 scalable pilots and proof of concepts are underway or explored in partnership with more than 20 external partners. For example, a partnership is in place with Ecobank, a pan-African bank, to provide capacity building and technical assistance to implementers in Nigeria, Senegal and South Sudan. Work in 2016 will activate new partnerships within the banking and financial services sectors to broaden this work’s potential impact and geographic scope, specifically on the continent of Asia. The Innovative Financing function consists of several streams that will continue into 2016, and will include evaluations of mechanisms such as using grant funds to buy down loan interest rates, or the use of “social impact bonds”.

Strategic Enabler: Enhance partnerships to deliver results

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	-	-	-	-	-
Core activity	2	<1	1	-	3

Priority activities

51. Budgeted priority activities for 2016 do not include a work stream explicitly captured under 'partnerships'. However, as noted in previous sections, effective partnerships will underpin successful implementation of the priorities, in particular the Implementation Through Partnership and Data Management for Impact initiatives. Partnerships will be the core to the successful rollout of the new strategy, and joint planning will be an important focus for 2016.

Core activity

52. 2014 and 2015 saw the Global Fund's partnership model enhanced with strong engagement of partners throughout the rollout of the funding model. This was particularly evident with partnerships required to ensure that allocated funds are invested strategically. Effective coordination and management will continue into 2016 to support the Special Initiatives for increasing Value for Money and Sustainability; coordinating Technical Assistance for grants; supporting Communities, Rights and Gender; and strengthening Country Data Systems.

53. Achievements to date in 2015 include programmatic mapping and size estimation exercises for key populations in 11 high impact countries. The CRG Special Initiative has deployed over 50 technical assistance assignments spanning 30 national and 11 regional Concept Notes. The Value for Money Special Initiative has supported intervention prioritization for 20 national disease programs in 17 countries, and an additional 15 countries are planned for 2016. As a result of the service integration agreements in place with partners, 14 priority country submissions have incorporated Mother and Child Health co-financing into their signed grants.

54. The Global Fund is strengthening its collaboration with key partners to optimize investments, and this is especially true for women and girls. For example, an HIV gender assessment tool was rolled out in partnership with UNAIDS to identify gender gaps in HIV and tuberculosis programming in more than 30 countries to inform the prioritization of investments in concept notes. These partnerships will continue into the next funding cycle to prevent new HIV infections, help reduce stigma and discrimination, increase access to antiretroviral drugs, and prevent AIDS-related illnesses and deaths, particularly among women, girls, adolescents and key populations.

Strategic Enabler: Transform to improve Global Fund governance, operations and fiduciary controls

Budget (USD millions)

Activity	Staff	Professional fees	Travel & meetings	Other	Total
New priority	4	3	<1	<1	7
Core activity	27	16	4	32	79

Priority activities

55. Building from the strategy framework scheduled for approval at the 34th Board Meeting in November 2015, the full Strategy will be submitted for approval to the 35th Board meeting in spring 2016. To ensure effective rollout in 2017, considerable effort will be devoted to strategic planning both within the Secretariat and with partners.

56. Efforts to ensure effective cost control continue into 2016 with particular focus on aligning Secretariat resource allocation with the needs of the new strategy. Based on a series of pilots undertaken in 2015, a dedicated ‘zero based budgeting’ effort will be undertaken to better inform decisions on how Secretariat resources should be allocated across functions and across the different types of costs. This will include costs to support key priorities and strategic objectives, understanding of core operational costs versus discretionary costs, and managing staff resources versus non-staff resources to link to ongoing workforce planning.

57. In 2016 the Secretariat will continue to develop its business capacity to further improve management and integration of crosscutting projects. The creation of a dedicated function will support the senior executive team in monitoring and managing major initiatives critical for successful strategy implementation, as well as providing gap analyses and progress updates on transformative work across the organization.

58. As the Secretariat continues its program of investments in its human resources, the priority for 2016 will be to review and articulate the essential competencies necessary for success as it transitions to the new strategy, with accompanying staff development targeted to competency-focused activities. The next round of staff engagement and manager quality tracking is also scheduled for 2016.

Core activity

59. The regular day to day business of the management, support and control functions falls under this enabler. This covers much work of governance, communications, human resources, IT and office infrastructure, as well as the control functions in finance, risk, legal support and the work of the OIG. It should be noted that the work plan of the OIG is reviewed by the Audit and Ethics Committee.

05 Cost categories

60. The table below provides a summary of the full 2016 budget by major cost category. Five cost categories make up more than 90% of the total budget.

Budget category (USD millions)

Staff	External Assurance	Professional fees	Office infrastructure	Travel	Total
141	55	39	26	20	305
CCM	Meetings	Communication	Board constituencies	Other	
10	4	2	1	7	

61. The allocation of budget remains stable for most cost categories when compared to 2015 expenditures. Staff costs, office infrastructure and other costs see increases and professional fees decrease. External assurance costs remain stable and CCM costs have been capped at 2015 budget level. The majority of the staff cost increase is due to new hires, mostly for priority related activities but also for governance matters, and much of this increase is offset by a reduction in the use of consultants. The increase in the other category of budgeted costs is mostly attributable to depreciation of IT projects.

External Assurance expenditures (USD millions) ⁵

2011	2012	2013	2014	2015 (F3)
77	76	64	48	54

62. Implementation of a differentiated approach to external assurance services by risk and materiality will continue into 2016. While maintaining a stable budget ceiling from 2015, external assurance will expand to cover the Health Facility Assessments noted above as a key element of the Data Management for Impact initiative. The HFAs will be conducted in targeted countries to deliver a more robust examination of program and data quality with a greater reliance on national monitoring and evaluation systems. Separate specialized service providers will be selected for this activity through a competitive process. Local Fund Agents will continue to deliver risk and assurance services with a more customized and flexible set of methods.

Professional fees (USD millions)

Mandatory / compliance	IT fees	Optimize funding implementation	Improve data & systems	Other new priorities	Other core activity
18	7	4	4	2	4

63. Professional Fees investment see a 10% reduction when compared to 2015 expenditures, which is mainly driven by a switch from the use of consultants to staff for the E-Marketplace initiative. Mandatory/compliance fees continue to constitute the largest part of the professional fees budget costs, and these include costs related to trustee and external audit, HR and Legal compliance, TRP and TERG, Procurement and product testing, OIG and IT operational support. The other main driver is IT and other consultancy costs budgeted for priority-related work.

⁵ Up until 2015 this category includes only LFA expenditures. 2016 budget will include budgeted activities for all external assurance work, including for both LFA and Health Facility Assessments.

V. Performance

64. Performance against Strategic Objectives will be monitored and assessed against the Global Fund Corporate KPI 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 Corporate KPI targets for 2016 are available in an accompanying document (GF/FOPC16/06).

Strategic Objective/Enabler	Major activities	2016 Budget (USD m)	Expected deliverables & outcomes
Strategic objective 1 & 2: Invest more strategically & Evolve the funding model*	<p>2016 New priority activities</p> <ol style="list-style-type: none"> 1. Optimize portfolio and grant duration challenges 2. Data Management for Impact 3. Improve allocation for 2017-2019 4. Foster resilient systems for health 	3	<ol style="list-style-type: none"> 1. Increased utilization of forecast undisbursed allocation at the grant, disease, country and portfolio level to ensure the current replenishment achieves maximum impact over the allocation period 2. HMIS or DHIS deployed in at least 45 countries; Health Facility Assessments delivered in 19 countries; Robust impact & results targets set for 2017 Strategy; Disease modeling conducted with 15 countries to track investment efficiency 3. Changes to allocation model implemented; and allocations calculated and communicated to countries ahead of 2017-2019 allocation period 4. Health System Strengthening needs assessments conducted in 10-15 countries in preparation for the next round of funding; Community system strengthening concept strengthened; Revised investment guidance and measurement frameworks for RSSH
	<p>Core activities</p> <ol style="list-style-type: none"> 1. Support 98 component proposals through to grant signing in 2016 	45	<ul style="list-style-type: none"> ▪ Strong Corporate & Operational KPI performance: <ul style="list-style-type: none"> - KPI 4 Efficiency of Global Fund investment decisions; - KPI 5 Health System Strengthening; - KPI 6 Alignment of supported programs with national systems;

Strategic Objective/Enabler	Major activities	2016 Budget (USD m)	Expected deliverables & outcomes
	<ol style="list-style-type: none"> 2. Provide effective support to countries to ensure strong concept notes and grant proposals 3. Facilitate effective grant review through TRP & GAC meetings 4. Measurement and forecast of impact and results reported semi annually 		<ul style="list-style-type: none"> - KPI 7 Access to funding
Strategic objective 3: Actively support grant implementation success	<p>2016 New priority activities</p> <ol style="list-style-type: none"> 1. Improve use of funds in key countries (Implementation through Partnership initiative) 2. Implement the supply chain strategy 3. Launch E-Marketplace 4. Operational differentiation 5. Risk & assurance 6. Implement Project AIM (Accelerated Integration Management) 	17	<ol style="list-style-type: none"> 1. Improved performance on financial tracking measures, with grant programmatic indicators meeting their targets 2. Supply Chain Strategy rolled out in 10 countries 3. E-Marketplace launched in at least 10 countries for total volume of USD 300 m total spend volume 4. Simplified end-to-end grant management process implemented for 35 country portfolios operating in low disease-burden and low-risk settings, supported by development of RBF models and differentiated approach to COEs to reduce grant management workload by 50% 5. New Risk & Assurance framework implemented in all high impact countries 6. Deliver integrated and streamlined processes, data and systems to support robust and efficient portfolio management in line with priorities and roadmap to be agreed in 2015
	<p>Core activities</p> <ol style="list-style-type: none"> 1. Manage investments in more than 402 ongoing grants 	137	<ul style="list-style-type: none"> ▪ Strong Corporate & Operational KPI performance: <ul style="list-style-type: none"> - KPI 9 Effective operational risk management

Strategic Objective/Enabler	Major activities	2016 Budget (USD m)	Expected deliverables & outcomes
			<ul style="list-style-type: none"> 8 countries supported by partnerships with PEPFAR and World Bank to coordinate sustainability planning 20 UMI countries have transition plans in place for at least one disease component by end 2016
	Core activities	10	
	<ol style="list-style-type: none"> Engagement with donors to secure new pledges and ensure pledge conversion Advocacy and incentivizing increased domestic investments in the three diseases Monitoring counterpart financing thresholds, pledges and contributions 		<ul style="list-style-type: none"> Strong Corporate & Operational KPI performance: <ul style="list-style-type: none"> KPI 13 Resource mobilization KPI 14 Domestic financing for AIDS, TB & Malaria
Strategic enabler: Enhance partnerships to deliver results	Core activities	3	
	<ol style="list-style-type: none"> Management of the Special Initiatives 		<ol style="list-style-type: none"> Technical Assistance is effectively targeted to strengthen country & community capacity
Strategic enabler: Transform to improve Global Fund governance, operations and fiduciary controls	2016 New priority activities	7	
	<ol style="list-style-type: none"> Develop and implement the new strategy Preparation and launch of zero based budget with workforce planning alignment Project Integration, Management & Capacity Support staff engagement and development 		<ol style="list-style-type: none"> Board approval of the strategy; and specific goals, targets and objectives Better understand operational cost structure and ensure alignment of resources with strategy implementation needs Quarterly reporting to MEC to drive increased on-time delivery of Secretariat projects and initiatives Staff Engagement survey conducted; competency framework reviewed and refreshed; competency-focused trainings delivered
	Core activities	79	
	<ol style="list-style-type: none"> Efficient management of the Global Fund secretariat 		<ul style="list-style-type: none"> Strong Corporate & Operational KPI performance: <ul style="list-style-type: none"> KPI 15 Efficiency of grant management operations KPI 16 Quality of management and leadership

Strategic Objective/Enabler	Major activities	2016 Budget (USD m)	Expected deliverables & outcomes
	2. Provision of essential control and support services		
Total		305	

*As work evolving the funding model nears completion for this Strategy cycle activity in this area is increasingly difficult to differentiate from the Access to Funding stage of the grant life cycle and work to Invest More Strategically. To reduce the risk of introducing arbitrary splits in this work the two objectives have been merged for the purposes of the work plan.

ANNEX 1

2016 PRIORITY TO STRATEGIC OBJECTIVE MAPPING

	Optimize funding implementation for maximum impact	Develop & implement the Global Fund strategy	Support a successful replenishment	Improve data and systems	Invest in people
SO 1 & 2	✓	✓		✓	
SO 3	✓	✓		✓	
SO 4		✓			
SO 5			✓		
SE Partnership					
SE Transform		✓	✓	✓	✓

Strategic objective 1: Invest more strategically

Strategic objective 2: Evolve the funding model

Strategic objective 3: Actively support grant implementation success

Strategic objective 4: Promote and protect human rights

Strategic objective 5: Sustain the gains, mobilize resources

Strategic enabler: Enhance partnerships to deliver results

Strategic enabler: Transform to improve Global Fund governance, operations and fiduciary controls