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# Financial Performance Update

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**45<sup>TH</sup> BOARD MEETING**

GF/B45/13

11-12 MAY 2021, *Virtual*

# Executive Summary (1/2)

## USES OF FUNDS

### ➤ Grant Financials:

- **2020 Actuals: peak disbursement year** with US\$ 4.2Bn in a Covid-19 context ( +20% compared with 2019, similar to previous peak level from 2017 at \$ 4.3Bn)
- **Funds Utilization**
  - **5<sup>th</sup> replenishment:** forecasted disbursement of **US\$11.16Bn against US\$11.22Bn funds under management or 99% Allocation Utilization** for iKPI purposes. In line with in-country absorption target of 85% (+/- 4-5% error margin due to Covid-19 residual risk) and reconfirmed through triangulation and country deep dives.
  - **6<sup>th</sup> replenishment:** full allocation utilization expected based on approved budgets (close to 70% funding signed in 2020) with forecasted disbursement of **US\$12.47Bn against US\$12.83 Bn funds under management** (after deduction of 5% over allocation), or 97% Allocation Utilization for iKPI purposes with a remaining US\$ 450M estimated closing Cash Balance from 5<sup>th</sup> replenishment.
  - **C19RM: US\$ 759M of funding** made available (including US\$ 500M from 5<sup>th</sup> replenishment recycled funds) and approved by the Secretariat.

➤ **Operating expenditures:** 2020 actuals at US\$ 298.8M (98% OPEX utilization in line with operational KPI), consistent with F2 forecast (US\$ 297.1M). Significant reallocation effort of Covid-19 related underspend on tactical adaptation responses and investment in strategic capabilities and enablers.

➤ **Strategic Initiatives:** Total available envelope for SI approved by GAC amounts to US\$209M. SI Utilization cumulated at end of Dec 2020 is **99%** with acceleration in spend. Latest forecast amounts to **US\$ 209M** increasing fund utilization to **100%**. Fund utilization include cash advances made to partners. Outstanding cash balances will be refunded from partners through closing processes.

# Executive Summary (2/2)

## SOURCES OF FUNDS

- **Pledges and contribution:** 5<sup>th</sup> replenishment: adjusted pledges increase by **US\$ 72M** since Jun 2020, or a net increase of US\$ 476M since the beginning of the replenishment (**+US\$ 54M** since December 2019). 6<sup>th</sup> replenishment: adjusted pledges increased by **US\$ 59M** since June 2020, or **US\$ 134M** net changes since the beginning of the replenishment.
- **Investment Income:** **US\$ +112M** from December 2019, **US\$ +68M** since June 2020.
- **Foreign exchange:** **US\$ +31M** from December 2019, **US\$ -7M** since June 2020.

## ASSETS AND LIABILITIES MANAGEMENT:

- **ALM:** The ALM shows a positive balance of **US\$ 235M** across the 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> replenishments. The balance was agreed with the AFC to be carried forward (i.e. no portfolio optimization) due to underlying economic risks evolving from the pandemic.

## INPUT RECEIVED:

- The **AFC** reviewed Financial Performance at its 15th meeting, noting strong financial management by the Secretariat. Portfolio optimization as well as absorption and mitigating actions for COVID-19 were discussed at length. The Secretariat has committed to managing absorption closely with the AFC as well as introducing early warning systems and conducting deep dives in specific areas e.g. community system strengthening (CSS) investments.

# Latest Financial Performance Figures as of Dec 2020

## Sources of Funds

- ❖ Changes in adjusted pledges in H2 2020  
5<sup>th</sup> replenishment: US\$ +72M  
6<sup>th</sup> replenishment: US\$ +59M
- ❖ Foreign exchange results:  
US\$ -7M after hedges in H2 2020
- ❖ Investment income: US\$ +68M in H2 2020

## Uses of Funds

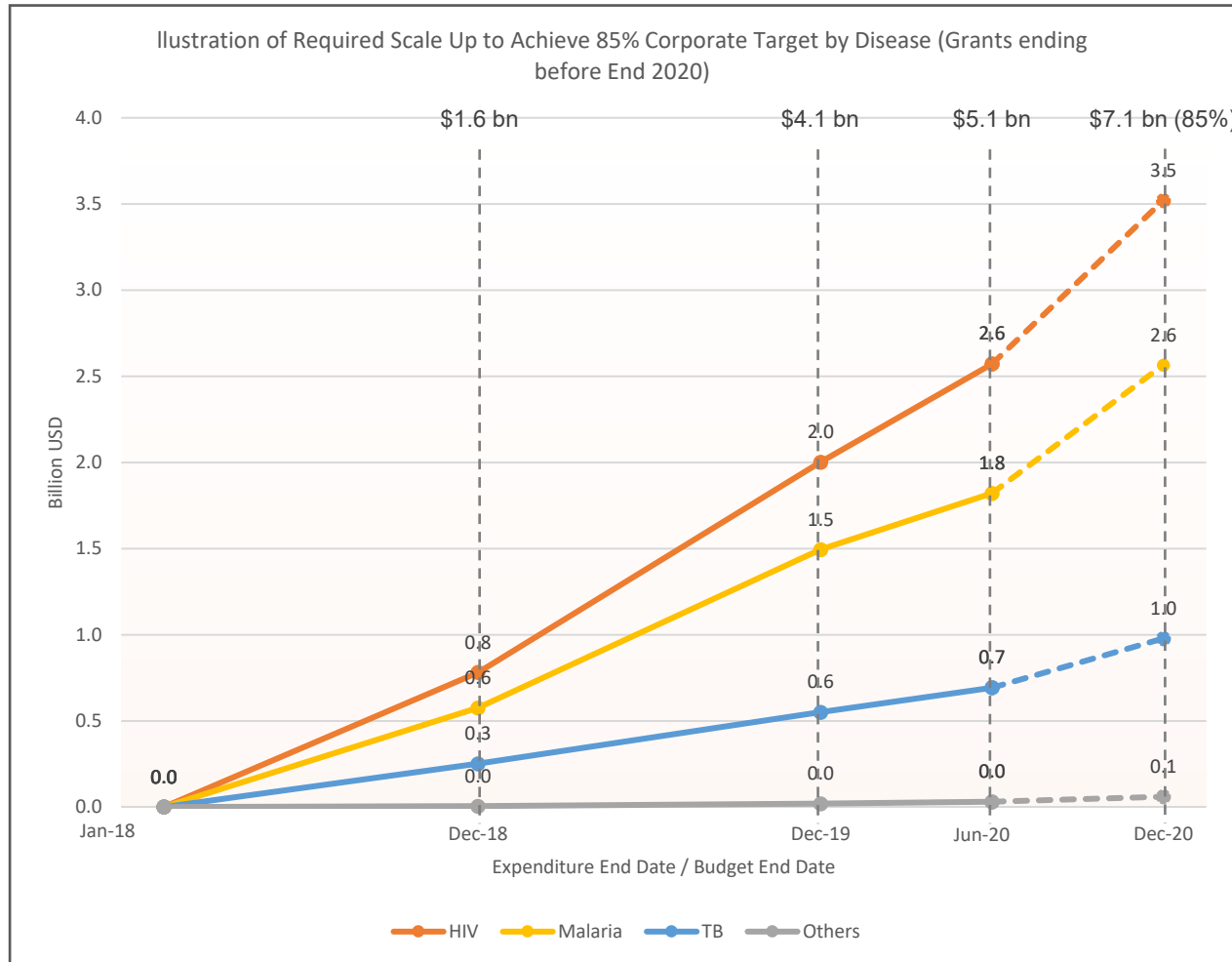
- ❖ Grants:
  - 2020 Actuals disbursed US\$ 4.2Bn in line with F2 2020 forecast
  - 5<sup>th</sup> repl., US\$ 11.16Bn is the latest disbursement forecast, US\$ +247M compared to Jun'20
    - ✓ Additional reprogramming of Covid-19 grant flexibilities
    - ✓ The remaining US\$ 303M out of the US\$ 500M recycled funds allocated to C19RM have been approved since last forecast and integrated in F3
- ❖ SI: forecast of US\$ 209M or 100% funds utilization compared with 94% in Jun'20
- ❖ OPEX: 2020 Actuals US\$ 298.8M, 98% OPEX utilization

## Impact on Absorption

- ✓ **Allocation Utilization: measured by forecasted disbursement over funds under management**
  - Both 5<sup>th</sup> replenishment and 6<sup>th</sup> replenishment remains at a high level.
    - ❖ 5<sup>th</sup> Replenishment: Funds under management basis (actual available uses of funds exc. PO and C19RM) – **99%** for the current cycle (Mar'20 - 97%) with integration of C19RM
    - ❖ 6<sup>th</sup> Replenishment: Funds under management basis (actual available uses of funds exc. 5% overallocation) – **97%** (Mar'20 - 96%) equivalent to full utilization once 5<sup>th</sup> replenishment closing cash balance is considered.
- ✓ **In-Country Absorption: measured by expenditures over grant budget**
  - Jun'20 financial figures updated, with 78% ICA for grants ended in 2020 ( vs 64% in Dec'18 and 79% in Dec'19) and **75% for all grants** ( vs 62% in Dec'18 and 75% in Dec'19) and US\$1 Bn of additional reported expenditures over the period
  - **Predictive analysis shows that projected in-country absorption of 85% remains on track.**
    - ❖ US\$ 2.0 Bn in-country expenditure still required to achieve 85% for grants ended 2020, of which
      - ❖ **US\$ 0.9-1.0 Bn** already disbursed as PPM between July and December 2020 or in PPM pipeline within cut-off flexibilities
      - ❖ **remaining US\$ 1.0-1.1 Bn** to be achieved on Non-PPM activities and reviewed through country deep dives
    - ❖ A residual risk of Covid-19 remains in the translation of disbursement into in-country expenditures especially on Non-PPM activities, with potential impact of **+/- 4-5%**.
- ✓ **Progress on 4<sup>th</sup> repl. financial closure: 98% of reports validated. OIG audit has identified some improvements areas which will be integrated as part of the 5<sup>th</sup> repl. closure process that will start in July 2021.**

\* Allocation Utilization Period (3 years + 180days)

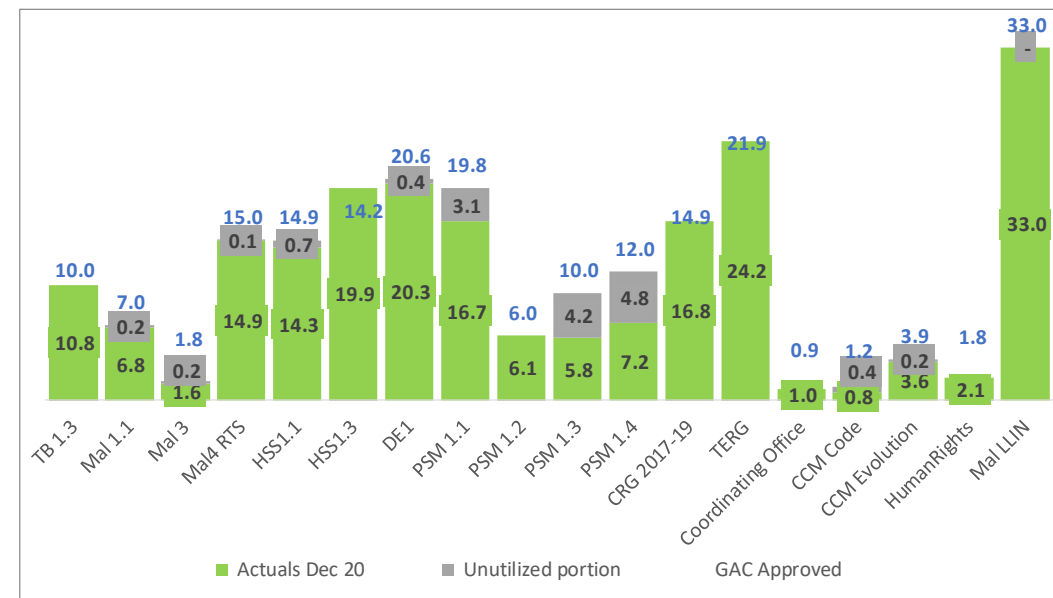
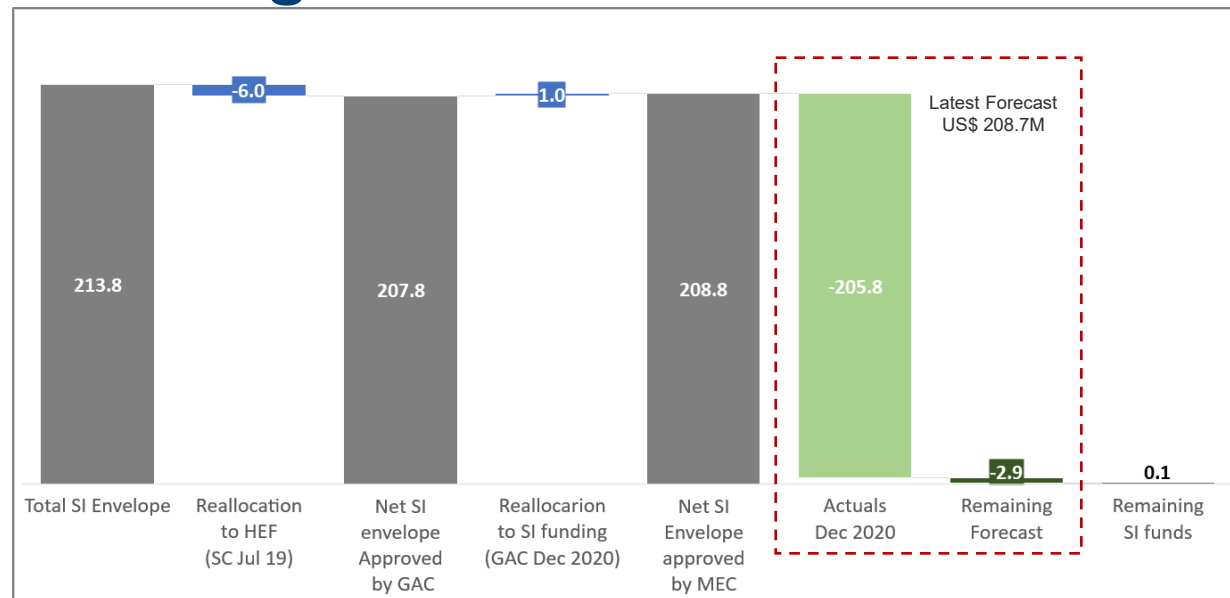
# To achieve 85% of ICA target for grants ended in 2020, US\$ 2.0Bn has to be spent in the later half of 2020, US\$ 0.9Bn - 1.0Bn of which will come from PPM



Focus on grants ended by 31st December 2020:

- Representing 70% (i.e. US\$ 8.4Bn) of portfolio grant budget of US\$ 12.0Bn.
- With the current budget, US\$ 7.1 Bn cumulative expenditure required to **achieve the 85%** target for grants ended in 2020; (vs KPI – 75%, previous cycle – 78%).
- Actual absorption as at June 2020 (PUDR data) is 78% with expenditure of US\$ 5.1 Bn - **US\$2.0Bn yet to be spent to achieve US\$ 7.1 Bn.**
- US\$ 0.7 Bn disbursed for PPM from Jul 2020 – Dec 2020 and US\$ 0.2 – 0.3 Bn on the PPM pipeline from Jan 2021, **totaling US\$ 0.9 – 1.0 Bn of US\$ 2.0 Bn gap to be filled by PPM**
- Remaining US\$ 1.0 Bn – US\$ 1.1 Bn to be filled by Non-PPM activities, with key countries such as Nigeria, Zimbabwe, Multi-Country RAI, Tanzania, DRC, Myanmar, Uganda, and Indonesia
- **Confirmation from the Deep-Dive that 85% ICA for grant ended in 2020 is an achievable target** with many DHs/RFMs considering it as a minimum threshold.

# Significant acceleration in SI funds utilization in the later half of 2020, resulting in 99% fund utilization



## Report as end of December 2020:

- Thus, the total available envelope for SI remains at US\$ 209 million with 100% of the envelope approved through budget review by GAC.
- **US\$ 206M or 99% of cumulated fund utilization** at end of Dec 2020 is mostly driven by acceleration in payments on SI New LLINs, SI HSS 1.3, SI Data System, SI TERC programs and SI PSM 1.1 – 1.3. Most Strategic Initiatives have ended its implementation period at the end 2020, leaving residual disbursement in the 1<sup>st</sup> half of 2021.
- Closure process has been initiated and outstanding closing cash balance will need to be refunded from partners.

## Latest forecast:

- For 2017-2019 cycle, US\$ 208.7M or 99% fund utilization currently forecasted. For 2020-2022 cycle, 100% fund utilization is forecasted with the assumption that proactive reinvestment and portfolio management will result in full optimization of the funds.

## Lessons learnt and areas of improvement:

- With needs to enhance financial management identified in SI during 2017-2019 cycle in areas such as planning and implementation monitoring and, the Secretariat is proactively reviewing the policies and procedures to fully materialize the effort made in the SI Boost.

# 2020 OPEX actuals amounts to US\$ 298.8M, representing 98% OPEX utilization

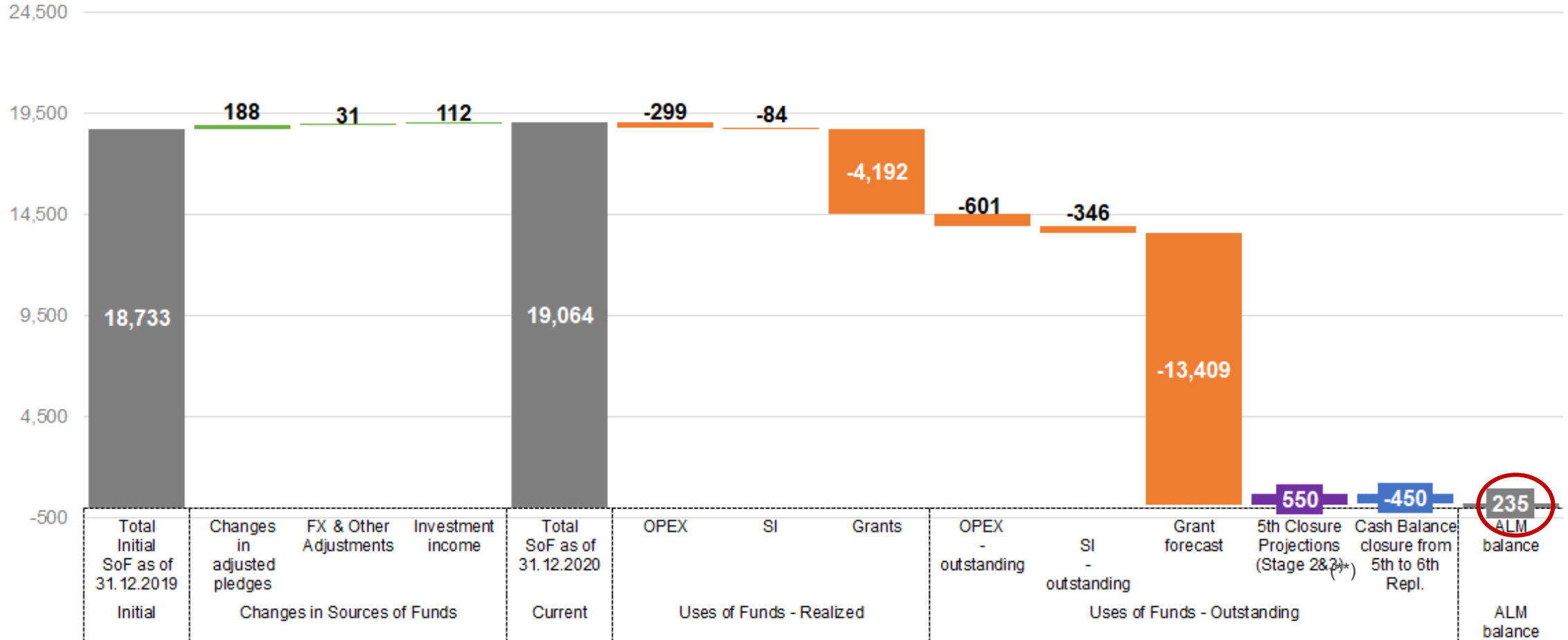
By Nature				
	Actual	Budget	Variances	
	December	December	2020 Actuals v s Budget	
	2020 YTD	2020 YTD	kUSD	%
	kUSD	kUSD	kUSD	%
LFA costs	48,396	48,300	96	0%
CCM Costs	8,225	9,500	(1,275)	(13%)
Costs Secretariat and OIG	229,949	243,153	(13,204)	(5%)
Staff	150,516	158,812	(8,296)	(5%)
Professional fees	43,997	33,028	10,969	33%
Travel	3,114	16,866	(13,752)	(82%)
Meetings	662	3,677	(3,015)	(82%)
Communications	2,408	1,306	1,103	84%
Office Infrastructure	22,770	21,528	1,242	6%
Board Constituency	1,247	1,600	(353)	(22%)
Depreciation	5,385	6,336	(952)	(15%)
External Co-Funding	(150)	0	(150)	
<b>Total Opex before non-recurring</b>	<b>286,569</b>	<b>300,953</b>	<b>(14,384)</b>	<b>(5%)</b>
<b>Non-recurring costs</b>	<b>12,230</b>	<b>4,047</b>	<b>8,183</b>	<b>202%</b>
<b>Total operating costs</b>	<b>298,800</b>	<b>305,000</b>	<b>(6,200)</b>	<b>(2.0%)</b>

By Function				
	Actual	Budget	Variances	
	December	December	2020 Actuals vs Budget	
	2020 YTD	2020 YTD	kUSD	%
	kUSD	kUSD	kUSD	%
General Management	8,852	9,227	(375)	(4%)
Office of ED/DED	8,852	9,227	(375)	(4%)
Operations	165,267	169,059	(3,792)	(2%)
External Relations and Partnerships	10,863	11,465	(602)	(5%)
Grant Management	124,051	128,508	(4,457)	(3%)
LFA	47,444	46,300	1,144	2%
CCM	8,225	9,500	(1,275)	(13%)
Opex	68,382	72,708	(4,326)	(6%)
Strategy Investment & Impact	30,353	29,085	1,267	4%
Support Functions	97,529	99,747	(2,218)	(2%)
Communications	6,212	6,555	(343)	(5%)
Human Resources	7,688	8,142	(454)	(6%)
Legal	4,956	4,931	25	1%
Risk Management	3,204	4,314	(1,111)	(26%)
Finance & Administration	26,886	31,275	(4,388)	(14%)
Information Technology	36,504	29,218	7,286	25%
Supply Operations	12,079	15,312	(3,234)	(21%)
OIG	10,931	15,240	(4,309)	(28%)
Governance	3,991	7,681	(3,690)	(48%)
<b>Total Opex before non-recurring</b>	<b>286,569</b>	<b>300,953</b>	<b>(14,384)</b>	<b>(5%)</b>
<b>Non-recurring costs</b>	<b>12,230</b>	<b>4,047</b>	<b>8,183</b>	<b>202%</b>
<b>Total operating costs</b>	<b>298,800</b>	<b>305,000</b>	<b>(6,200)</b>	<b>(2.0%)</b>

# ALM shows a positive balance of US\$ 235m as of End of December

## ALM balances – up to and including 6<sup>th</sup> replenishment (\*)

Amounts in US\$ millions at reference rate, actuals to 31 December 2020



(\*) All figures are net of refunds (US\$ 23M as part of the grant actuals)

Total disbursement forecast US\$ 17,623 M : US\$ 4.192 M + US\$ 13.409 M + US\$ 23 M

(\*\*) Closure projections are made of \$450m cash balance closure and \$100m related to additional under-utilization resulting from the closure process. Stage 3 is now integrated in the combined grant forecast of the 5<sup>th</sup> and 6<sup>th</sup> replenishment, therefore netted in the 6<sup>th</sup> replenishment.