

2022 Interim Financial Report

30 June 2022



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2022 INTERIM FINANCIAL REPORT

30 JUNE 2022

LE GRAND-SACONNEX, SWITZERLAND

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1. 2022 Key operational highlights

1. Reflection on organizational maturity

As the Secretariat heads towards the Seventh Replenishment in September 2022, it is an opportune moment to pause and reflect on the operational achievements in the first six months of the year. The operational and economic acceleration experienced in during 2020 and 2021 are testimony to the trust that stakeholders, donors, implementers and partners alike, invest in the Global Fund. As the Global Fund manages and adapts under pressure of an increased risk landscape, the communities remain at the heart of our operational focus and success.

A recent MOPAN¹ assessment reported the Global Fund has steadily sought ways to improve its performance and mature as an organization, while remaining focused on its core mandate to fight the three diseases- AIDS, tuberculosis and malaria. It also highlights the organization's agility to evolve as new challenges emerge. Financial frameworks and processes like allocations, portfolio optimization, and efficiency measures have been reported as main strengths of the operating model. Transparent financial decision making, disbursements and external audit have been rated as highly satisfactory. At the same time, significant improvements need to be made in cross-cutting areas like gender and environment. The overall evidence-based planning and program application needs systematic reinforcements.

2022 is an important year for laying the foundation stone for the new strategy for 2023-2028 approved by the Board in November 2021. Major initiatives are underway in ensuring organizational preparedness for operationalizing the new strategy in a transparent manner to create a meaningful impact.

Strong and fully independent oversight

The Global Fund has an independent oversight function – the Office of Inspector General (OIG) – to safeguard its assets, investments, reputation and sustainability. The OIG conducts independent audits and investigations of alleged fraud, abuse, theft, corruption, human rights violations, as well as sexual exploitation and abuse in Global Fund programs.

The OIG reports directly to the Board through the Audit and Finance Committee. In line with its commitment to transparency and accountability, the OIG publishes its audit and investigation reports on the Global Fund website, including specific management actions agreed with the Secretariat to ensure the organization takes the right measures and manages risks in fighting the three diseases.

The OIG itself is independently assessed every three years to ensure it effectively carries out its mission to provide the Global Fund with independent and objective assurance. The latest assessment in 2021 by IFACI Certification gave the OIG the highest possible rating and maturity level in line with international standards.

¹ [MOPAN Assessment](#).

2. Grant Funding

The COVID-19 pandemic has had a catastrophic impact on the most vulnerable communities around the world and threatens progress against HIV, TB and malaria. The Global Fund, the largest multilateral funder of health systems worldwide, has provided funding of up to USD 4.9 billion, including grant flexibilities, to help countries fight COVID-19, mitigate the impacts on lifesaving HIV, TB and malaria programs, and prevent fragile health systems from being overwhelmed.

In April 2020, the Global Fund Board approved the establishment of the COVID-19 Response Mechanism (C19RM) with an initial allocation of USD 500 million. A total of USD 3.9 billion in donor pledges was made available by 30 June 2022. The key objectives of this mechanism are outlined below:

- i. Interventions to mitigate the impact of COVID-19 on HIV, Tuberculosis and malaria disease programs
- ii. Actions to reinforce the response to COVID-19
- iii. Initiatives to make urgent improvements in health and community systems, including laboratory networks, supply chains and engagement with vulnerable communities

The Global Fund is the primary channel for providing grant support to low- and middle-income countries for COVID-19 tests, treatments (including medical oxygen), personal protective equipment (PPE) and critical elements of health system strengthening. This is in line with our engagement in the coordinated global response to COVID-19 within the Access to COVID-19 Tools Accelerator (ACT Accelerator) platform where we co-lead on three of the four components: the Diagnostics Pillar, Health Systems & Response Connector and the Therapeutics Pillar.

The pandemic context has evolved significantly since 2021:

- i. Epidemiological context as countries are facing less severe COVID-19 waves and pandemic preparedness needs have shifted in scale and scope including demand for health products;
- ii. Scientific context as our understanding of how to combat the virus has evolved, especially amid opportunities to innovate new therapeutics & testing strategies;
- iii. National response priorities are evolving based on the pandemic, scientific and country specific contexts and lessons learnt, with a shift to health systems strengthening and pandemic preparedness; and
- iv. C19RM interventions are impacted by many factors such as savings from falling commodity prices, higher freight and warehousing costs, evolving strategies including more decentralization of testing, gaps in supporting health systems and HRH areas, and others.

At reporting date 30 June 2022, the Investment Committee has approved country applications for USD 3.4 billion (C19RM 2021) in immediate funding for 107 countries and 17 multi-country programs.

As at 30 June 2022, the Grant Approvals Committee and Board have approved the amount of USD 13.2 billion towards HIV, TB, malaria, and RSSH programs for the 2020-2022 allocation period.

3. Replenishment update

Under its replenishment mechanism, the Global Fund convenes donors, implementers and other key partners for a Replenishment Conference once every three years to mobilize resources for the succeeding three-year "Replenishment Period". This mechanism allows for predictability and enables both the Global Fund and implementing countries to establish long-term plans for fighting the three diseases. The Global Fund's Sixth

Replenishment period from 2020-2022 will soon close and preparations are under way for the Seventh Replenishment Conference for the period of 2023-2025.

Ongoing resource mobilization efforts

The Global Fund continues to mobilize funds throughout the Sixth Replenishment period, including to support countries' response to COVID-19 as well as their efforts to mitigate the pandemic's impact on HIV, TB and malaria and to strengthen health systems to respond to future pandemics.

As of 30 June 2022, a total of USD 4.5 billion in new pledges from public and private donors has been announced following the Sixth Replenishment Conference.

Converting Sixth Replenishment pledges into contributions

Conversion of pledges into contributions, including pledges for the Sixth Replenishment, remains an ongoing priority for the Global Fund.

As of 30 June 2022, over USD 13.4 billion of contributions, including private and public sector donors, have been signed against the pledges announced for the Sixth Replenishment with 61 out of 78 donors having signed contribution agreements. The preferred mode of contributions continues to be cash through signed contribution agreements including multi-year payment schedules which significantly enhance the Secretariat's ability to perform effective cash and foreign-exchange management. For the Sixth Replenishment period, donors have converted 67 percent of their adjusted pledges into contributions paid, for a total of USD 11.9 billion. This includes both public and private donors.

The Seventh Replenishment Campaign

For its Seventh Replenishment period covering 2023 to 2025, the Global Fund aims to raise at least USD 18 billion to save 20 million more lives and avert more than 450 million infections or cases. As outlined in the Seventh Replenishment Investment Case, the target amount along with significantly increased domestic investments and other external funding, will accelerate progress toward SDG 3 and universal health coverage, and strengthen pandemic preparedness in Global Fund eligible countries. The Seventh Replenishment campaign will culminate in the Pledging Conference hosted by the United States of America in New York from 18 to 21 September 2022 in the margins of the 77th Session of the United Nations General Assembly. In the lead up to the Conference, several early commitments from public (the United States, Japan and Luxemburg) and private (Comic Relief U.S.) donors have been secured. The replenishment campaign has also resulted in increased visibility for the partnership through multiple events and media interventions across donor and implementing countries; the engagement with government officials, parliamentary champions, corporate leaders, civil society advocates and communities at various international platforms; and the Global Fund's active participation in the G7 and G20 processes.

4. Protection from Sexual Exploitation, Abuse and Harassment at the Global Fund

If 2021 was a year of deep introspection in the Global Fund's protection from sexual exploitation, abuse, and harassment (PSEAH) journey, 2022 is set to be a year of accelerated growth. In 2021, the organization presented its holistic PSEAH approach in the Operational Framework on the Protection from Sexual Exploitation and Abuse, Sexual Harassment, and Related Abuse of Power. Framed by the need to act preventively before SEAH occurs, reducing incidence wherever possible, and to act responsively when SEAH occurs, addressing incidents in a victim/survivor-centred manner when prevention efforts fail, in 2022 the Global Fund moved from formulating guiding principles to concrete implementation.

Cognizant of the well-known adage, the Global Fund recognized that in order to go far, we would have to go together. With that model in mind, we used the newly reformulated and cross-cutting PSEAH Steering Committee and PSEAH Working Groups to oversee the implementation of the Operational Framework on PSEAH through annual implementation plans and to embed PSEAH practices into Global Fund processes.

In June 2022, the Global Fund received the results of the MOPAN assessment for the period from January 2017 - December 2021. In their assessment, MOPAN found that “[w]hile dedicated SEAH resources and structures have been established at the Secretariat, measures need strengthening at the country level, especially embedding prevention measures within programmes.” In complete alignment, building up our PSEAH efforts at country level has been and will remain the key focus of the Global Fund’s PSEAH activities in 2022.

So far in 2022, the Global Fund has made tremendous strides towards the implementation of its Operational Framework on PSEAH. Highlights include the following:

Country-facing

- Development of a multi-year, four-phase SEAH risk management approach that incorporates:
 - i. SEAH risk assessment by country
 - ii. Verification of PR compliance with the applicable PSEAH requirements and expectations stipulated in the Code of Conduct for Recipients of Global Fund Resources
 - iii. PSEAH capacity assessments of in-country implementers
 - iv. Grant-level risk mitigation integration in program design
- Formulation of a pilot SEAH risk mitigation integration for the 2023-2025 allocation period, including Technical Review Panel (TRP) review
- Meaningful and effective awareness-raising, including collaborative OIG/Secretariat “I Speak Out Now” SEAH webinars for in-country partners
- Evidence-driven research into victim/survivor-centred reporting channels
- Commencement of the role of a Global Fund Victim Advocate and In-Country Support Coordinator
- Increasing SEAH investigation and case management with a victim/survivor-centred, trauma-informed, Multi-Disciplinary Team approach

Secretariat-facing

- Phase 2 PSEAH training for staff and governance officials
- Resourced scale-up of the PSEAH Coordination Unit from two to seven full-time employees (preliminary and interim phases, respectively)

The commitment to further build and strengthen PSEAH systems and processes at the country level will continue during the second half of 2022.

2. FINANCIAL COMMENTARY

Financial year 2022 is the second year of in-country implementation under the 2020-22 allocation period and continues to witness grant closure activities under the previous 2017-2019 allocation period. The interim financial statements as at and for the six months ended 30 June 2022 accordingly reflect the seasonality of the operational activities on grants and contributions. When compared with the financial position at 31 December 2021, the condensed interim statement of financial position shows a 1 percent increase in funds during the first six months of 2022. The asset base has decreased by 12 percent and the total liabilities also decreased by 22 percent.

As at the reporting date, the Global Fund holds USD 5.4 billion in current assets including USD 4.3 billion in operational cash at commercial banks and in the Trust Fund managed by the World Bank as Trustee and USD 1.0 billion in contributions receivable from donors within 12 months. When compared with the current liability of USD 2.9 billion towards grants and operating expenses, the net current position stands at USD 2.6 billion.

The interim financial results reflect a typical second year of the operational cycle of grant implementation under the 2020-2022 allocation period. The new commitments for funding during the first six months of 2022 have reduced by approximately 60 percent and the outstanding grant liability at 30 June 2022 has also reduced by 24 percent. When compared with the grant expenditure incurred during the first six months of 2019, the second year of previous implementation period, the 2022 half-year grant expenditure shows an increase of 18 percent.

The revenue from donor contributions shows a steep increase primarily driven by USD 1.4 billion of C19RM incremental contributions. Encashments against regular donor contributions under the Sixth Replenishment are largely in line with the underlying donor agreements.

Key progress on the following core financial components achieved during the first half year of 2022 has been analysed below:

1. Financial management framework
2. Donor pledges and contributions
3. Grant commitments and disbursements
4. Operating expenses
5. Strategic Initiatives
6. The Global Fund Provident Fund

1. Financial management framework

The Global Fund's financial position is managed through an Asset Liability Management mechanism ("ALM"), i.e., balancing forecasted Sources of Funds (adjusted pledges from donors) and Uses of Funds (e.g., grants, Strategic Initiatives and Secretariat expenses) up to and including the current replenishment cycle. The current cash balance is included in this ALM and covers, together with outstanding adjusted pledges, forecasted disbursements until the end of the Sixth Replenishment cycle. Additional resources made available by donors during the replenishment cycle and other financial income are integrated into the ALM, with the potential to increase available funding, including C19RM funding.

The Global Foreign-Exchange (FX) Management Framework was designed for the effective management of FX exposures arising from all components of the Global Fund's asset-liability management framework, as envisaged in the Comprehensive Funding Policy. This includes on-balance sheet items, as well as future assets and liabilities pending the signature and recognition of contribution agreements and grant funding decisions (off-balance sheet items) and other expenses, respectively. The hedging of both on and off-balance sheet items is made on a portfolio level and controlled with specific risk metrics utilizing value-at-risk (VaR).

FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance sheet items, i.e., on assets and liabilities, as well as FX effects on off-balance sheet items, which are not reported in the profit and loss accounts. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

In the period under consideration, the currencies in which the Global Fund's assets and liabilities are denominated generally depreciated in value against the Global Fund's functional currency, the U.S. dollar. As 2022 is the last year of the current three-year replenishment period, there remains moderate off-balance sheet pledge positions, and therefore the scope of the financial statements only partially integrates FX effects in the scope of the ALM. For the half-year ended 30 June 2022, we report USD 70 million of net accounting foreign exchange loss on on-balance sheet items including fair valuation of foreign exchange hedges. From an ALM perspective, the following table provides an overview of the net FX results at 30 June 2022:

<i>Amount in USD millions</i>	FX Before hedges	FX on Hedges	Net FX results
<i>Accounting FX results (on-balance sheet)</i>	(86)	16	(70)
<i>Economic FX results (off-balance sheet)</i>	55	-	55
Net FX results to 30 June 2022	(31)	16	(15)
<i>Net FX results to 30 June 2021</i>	2	3	5

In the first half of 2022, financial markets have been significantly affected by a shift in macro-economic conditions, particularly due to rate hikes performed by central banks to fight inflation, a slow-down of the economy following the post-COVID rebound of 2021, and armed conflict in Europe.

In terms of FX markets, the combination of these factors contributed to a significant appreciation of the US Dollar against most currencies. Amongst major currencies, the Euro experienced the most significant devaluation. While the Global Fund's Foreign Exchange management framework in place successfully minimizes the impact of exchange rate fluctuations on the Global Fund's FX results, the continued global uncertainty contributes to increased volatility in foreign exchange results and can potentially further negatively affect total foreign exchange results (including economic effects) in 2022.

In terms of the investment portfolio, the net investment result was a loss of USD 115 million (2021: USD 35 million net investment gain) in the first half 2022. This resulted from negative investment performance for most asset classes, including both fixed income and equities. The aggressive policy actions of central banks to bring down persistently high inflation negatively affected bond markets and led to an end of a long expansionary period for equities. As for the FX markets, the continuation of key macro and geo-political risks are likely to continue to negatively impact the investment portfolio in the short to medium term.

2. Donor pledges and contributions

The net revenue recognized during the first six months of 2022 was materially higher compared to the first six months of 2021 at USD 2,031 million (2021: USD 695 million) as driven by the C19RM incremental

contributions received in 2022. The encashment of all outstanding contributions receivable is largely on track.

The contribution income of USD 2,031 million included:

- USD 2,007 million from sovereign donor governments (2021: USD 667 million);
- USD 18 million from Product (RED) (2021: USD 14 million); and
- USD 6 million from other non-governmental donors (2021: USD 14 million).

Government contributions during the first six months of 2022 include USD 1,420 million received towards the C19RM emergency response appeal (2021: USD 170 million). The discounting loss adjustment on long-term contributions receivable of USD 124 million has been separately presented in the statement of income (2021: a loss of USD 62 million).

3. Grant commitments and disbursements

The main elements of the Global Fund grant expenditure of USD 1,585 million (2021: USD 3,746 million) during the first half of 2022 included:

- USD 1,544 million as grant commitments to Principal Recipients for in-country and pooled procurement mechanism (PPM) activities (2021: USD 3,734 million); and
- USD 41 million as Strategic Initiatives project expenses (2021: USD 17 million).

Key financial highlights for grant activities during the first semester of 2022 are outlined below:

- When measured at the respective allocation rates, 2022 grant expenses for the first semester, including C19RM amounted to USD 1,561 million (2021 first semester: USD 3,675 million). This decrease versus the first semester of 2021 was expected given that 2021 was the first year of implementation for a majority of grants under the 2020-2022 allocation period, as well as the last year for some grants under the 2017-2019 allocation period.
- HTM (including C19RM 2020): when measured at the respective allocation rates, actual grant disbursements for the first half of 2022 for the grant portfolio amounted to USD 1,763 million, of which USD 103 million was for previous cycles and USD 1,660 million for 2020-2022 cycle.
- C19RM 2021: when measured at the respective allocation rates, actual grant disbursements during the first semester of 2022 for the grant portfolio amounted to USD 640 million, of which USD 43 million was for previous cycles and USD 597 million for 2020-2022 cycle.

4. Operating expenses

At spot rate, during the first half-year of 2022, the Global Fund spent USD 168 million on Secretariat operating expenses (2021: USD 145 million), of which USD 14.5 million relates to C19RM Management and Operating cost (2021: USD 2 million). This represents a 16.5 percent increase over the 2021 half-year.

At budget rate, actual expenditure incurred during the first six months of the year amounted to USD 166 million of which USD 152 million relates to Secretariat operating expenses and USD 14 million relates to C19RM Management and Operating cost in 2022.

The foreign exchange impact on operating costs is managed centrally as part of treasury management.

Secretariat operating expenses represents a slight 1 percent overspend against the period-to-date budget of USD 150 million, mainly due to the mid-year employee leave provision offsetting delays in the hiring of new employees.

5. Strategic Initiatives

For the 2020-2022 allocation period, the total available envelope for Strategic Initiatives amounts to USD 323 million excluding the Emergency Fund (topped up to USD 50 million and integrated with the underlying grants), of which USD 320 million or 99 percent has been approved by GAC.

As of 30 June 2022, the cumulative fund utilization represents USD 84 million (of which USD 43 million were utilized in 2021) representing 26 percent of the total envelope (excluding Emergency Fund/Private Sector/C19RM Funding). Implementation of projects as malaria vaccine implementation programme and long-lasting insecticidal nets projects under Malaria is expected to accelerate from 2022, following finalization of contract and in-country delivery, which will positively impact the conversion of forecasts in actual disbursements. Also, the Strategy Committee approved the reallocation of USD 23.3 million of funds from the independent Evaluation/TERG Strategic Initiative with the objective of improving the absorption towards execution of needs based on emerging programmatic.

Fund utilization for the previous 2017-2019 Strategic Initiatives cycle stands at 100 percent. The closure process initiated with the objective of identifying and recouping outstanding cash balances at partner's level is subject to terms and conditions reflected in applicable Framework Agreements with timelines stretching in 2022. By the end of June, USD 1.7 million has been confirmed and certified by partners leaving a projected net closing balance of USD 1.3 million.

6. Global Fund Provident Fund

When measured in the administration currency, the Swiss franc (CHF), the Provident Fund assets fully cover the underlying employee benefit liability at the reporting date.

In the condensed interim financial statements presented in the functional currency, the U.S dollar (USD), the Provident Fund asset base was USD 230 million as at 30 June 2022 (2021: USD 235 million). This included USD 221 million of Provident Fund investments measured at fair value and USD 9 million in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund constitution. As a result of negative returns on most asset classes, except global real estate, investments in the first half of 2022, the year-to-date rate of return on Provident Fund investments is negative at (8.2) percent (2021: 2.8 percent).

The liability for employee benefit obligation was USD 219 million as at 30 June 2022 (2021: USD 252 million). This includes USD 231 million in employee benefit reserves (2021: 250 million) and USD 12 million as accumulated actuarial valuation gain (2021: USD 2 million loss).

CONDENSED INTERIM FINANCIAL STATEMENTS

Responsibility for the condensed interim financial statements

The Secretariat is responsible for the preparation of the condensed interim financial statements and related information that is presented in this report. The condensed interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The condensed interim financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA was appointed as the independent auditors by the Global Fund Board upon the recommendation of its Audit and Finance Committee (AFC) to review the condensed interim financial statements of the Global Fund.

The Secretariat designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of external reviews.

The Board, through the AFC, meets periodically with the Secretariat and KPMG SA to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting.

These condensed interim financial statements were approved by the AFC on 14 September 2022.



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Independent Auditor's Report on the Review of Condensed Interim Financial Information

To the Board of The Global Fund to Fight AIDS, Tuberculosis and Malaria, Le Grand-Saconnex

Introduction

We have been engaged to review the accompanying condensed interim statement of financial position of The Global Fund to Fight AIDS, Tuberculosis and Malaria ("the Global Fund") as at 30 June 2022 and the related condensed interim statement of comprehensive income, financial position, cash flows and changes in funds for the six-month period then ended, and selected explanatory notes ("the interim financial information"). The Global Fund Board and Secretariat are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Alexandra Depoire
Licensed Audit Expert

Elodie Elloy
Licensed Audit Expert

Geneva, 19 September 2022

Enclosure:

- Condensed interim financial information (condensed interim statement of comprehensive income, condensed interim statement of financial position, condensed interim statement of cash flows, condensed interim statement of changes in funds and selected explanatory notes).

Interim statement of income (unaudited)

For the six months ended 30 June	Notes	2022	2021
In millions of USD			
Operating activities			
Income			
Contributions	4.1	2,031	695
Expenditure			
Grants	3.2	(1,585)	(3,746)
Operating expenses	6.1	(186)	(145)
Total		(1,771)	(3,891)
Net operating activities		260	(3,196)
Financing and Investing Activities			
Foreign exchange results, net	5.5	(70)	3
Financial income, net	5.6	(115)	35
Discounting on long-term financial positions		(64)	(24)
Total		(249)	14
Increase/ (decrease) in funds		11	(3,182)

Interim statement of comprehensive income (unaudited)

For the six months ended 30 June		2022	2021
In millions of USD			
Increase/ (decrease) in funds		11	(3,182)
Other comprehensive income			
Re-measurement gains on defined benefit plan that will not be reclassified to the statement of income	6.2	32	-
Total comprehensive gain / (loss)		43	(3,182)

Interim statement of financial position

As at	<u>Notes</u>	<u>30.06.2022</u>	<u>31.12.2021</u>
In millions of USD		(unaudited)	
Assets			
Current assets			
Cash and cash equivalents	5.1	149	218
Trust Fund	5.2	4,190	4,180
Contributions receivable	4.2	1,017	1,707
Derivative financial instruments at fair value	5.4	53	59
Other receivables	4.2	39	43
		<u>5,448</u>	<u>6,207</u>
Non-current assets			
Contributions receivable	4.2	660	722
Provident Fund investments	5.7	221	239
Tangible and intangible assets		46	50
		<u>927</u>	<u>1,011</u>
Total Assets		<u>6,375</u>	<u>7,218</u>
Liabilities and Funds			
Liabilities			
Current liabilities			
Grants payable	3.3	2,779	3,607
Derivative financial instruments at fair value	5.4	41	6
Other current liabilities		70	78
		<u>2,890</u>	<u>3,691</u>
Non-current liabilities			
Grants payable	3.3	5	48
Employee benefit liabilities	6.2	219	252
Lease liability		30	39
		<u>254</u>	<u>339</u>
Total Liabilities		<u>3,144</u>	<u>4,030</u>
Funds			
Temporarily restricted funds		47	66
Unrestricted funds		3,184	3,122
Total Funds		<u>3,231</u>	<u>3,188</u>
Total liabilities and funds		<u>6,375</u>	<u>7,218</u>

Interim statement of cash flow (unaudited)

For the six months ended 30 June

	Notes	2022	2021
In millions of USD			
Operating activities			
Cash received from donors		2,610	1,238
Grant disbursements		(2,426)	(2,177)
Payments for operating expenses		(166)	(141)
Cash realized on forward contracts settlements		57	(184)
Net cash flow from / (used in) operating activities		75	(1,264)
Investing activities			
Financial income received, net	5.6	25	55
Purchase of Provident Fund investment		(11)	(13)
Proceeds from sale of Provident Fund investment		-	4
Purchase of tangible and intangible assets		(2)	-
Net cash flow from investing activities before Trust Fund movements		12	46
Net cash rebalancing between commercial banks and Trust Fund		(151)	1,350
Net cash flow used (used in) / from investing activities		(139)	1,396
Financing activities			
Payment of lease liabilities		(5)	(6)
Net cash flow used in financing activities		(5)	(6)
Net (decrease) / increase in cash and cash equivalents		(69)	126
Cash and cash equivalents			
- at beginning of the period	5.1	218	53
Effect of exchange rate changes on cash held in commercial bank and Trust Fund		-	(2)
- at end of the period	5.1	149	177

In addition to the cash and cash equivalents reported in the statement of cash flows presented above, the Global Fund considers the Trust Fund as an integral part of the cash management for its core operations. The following table provides an overall operational cash management position:

	Notes	30.06.2022	30.06.2021
Amounts held in commercial banks	5.1	149	177
Amounts held in Trust Fund	5.2	4,190	2,820
Total Operational cash balance		4,339	2,997

Interim statement of changes in funds (unaudited)

For the six months ended 30 June

In millions of USD

	Foundation ² capital	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2022	-	66	3,122	3,188
(Decrease)/ increase in funds	-	(19)	30	11
Other comprehensive income			32	32
At 30 June 2022	-	47	3,184	3,231
As at 1 January 2021	-	19	6,283	6,302
Increase / (decrease) in funds	-	26	(3,208)	(3,182)
At 30 June 2021	-	45	3,075	3,120

² The Global Fund maintains CHF 50,000 as statutory foundation capital.

Explanatory notes to the condensed interim financial statements

The Global Fund presents its financial statements which include the following:

- 1- interim statement of income;
- 2- interim statement of comprehensive income;
- 3- interim statement of financial position;
- 4- interim statement of cash flows; and
- 5- interim statement of changes in funds.

The explanatory notes are an integral part of these financial statements.

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Notes to the condensed interim financial statements

Section 1: Activities and organisation

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) is a partnership designed to accelerate the end of HIV/AIDS, tuberculosis and malaria as epidemics. It applies four core principles: country ownership, partnership, transparency and performance-based funding.

The Global Fund is recognized as an international organization, initially formed as a Swiss foundation. It commenced operations on 22 January 2002 and Geneva authorities accepted its registration on 24 January 2002. Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations: The Swiss Federal Council accorded the Global Fund international organization status, which is comparable to that of UN organizations, through the 2004 Headquarters Agreement. The United States of America, through an executive order in 2006, designated the Global Fund as a public international organization in accordance with the United States International Organizations Immunities Act. The European Commission, through a 2014 Commission Decision, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds.

Its headquarters is in Geneva, Switzerland. The registered address is Chemin du Pommier 40, Grand-Saconnex 1218, Geneva, Switzerland. Foundations are subject to monitoring by the Swiss Federal Supervisory Board for Foundations.

Section 2: Basis of reporting

Statement of compliance

These unaudited condensed interim financial statements as at and for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

They do not include all the information and disclosures presented in the annual financial statements and should therefore be read in conjunction with the audited financial statements as at and for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). However, the explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Global Fund's financial position and performance since the last annual financial statements. All amounts in the notes are presented in millions of USD, unless otherwise stated.

These condensed interim financial statements were authorised for issue by the Audit and Finance Committee of the Global Fund Board (the AFC) on 14 September 2022.

Significant accounting policies

All accounting policies adopted in the preparation of the condensed interim financial statements and all significant accounting estimates and other management judgments are consistent with those followed in the preparation of the financial statements as at and for the year ended 31 December 2021.

A few standards and amendments to standards became effective 1 January 2022, but they did not have a material impact on the Global Fund's condensed interim financial statements.

Financial instruments – Accounting classification

The following table shows the net carrying amounts of financial assets and financial liabilities. For financial assets and liabilities not measured at fair value, the carrying value is a reasonable approximation of fair value.

As at 30 June 2022

<i>All amounts in USD million</i>		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	149	-
Trust Fund asset	5.2	4,190	-	-
Contributions receivable	4.2	-	1,677	-
Derivative financial instruments measured at fair value, net asset	5.4	12	-	-
Provident Fund Investments	5.7	221	-	-
Other receivables* ₁	4.2	-	30	-
Grants payable	3.3	-	-	2,784
Lease liability		-	-	37
Other liabilities* ₂		-	-	11

As at 31 December 2021

<i>All amounts in USD million</i>		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	218	-
Trust Fund asset	5.2	4,180	-	-
Contributions receivable	4.2	-	2,429	-
Derivative financial instruments measured at fair value, net asset	5.4	53	-	-
Provident Fund Investments	5.7	239	-	-
Other receivables* ₁	4.2	-	37	-
Grants payable	3.3	-	-	3,655
Lease liability		-	-	46
Other liabilities* ₂		-	-	8

*1 Other receivables that are not financial assets are not included (prepaid expenses)

*2 Other liabilities that are not financial liabilities are not included (provisions and deferred contributions)

Section 3: Grant activities

Impact of COVID-19 pandemic on grant operations

Since the onset of the pandemic in 2020, the Global Fund has worked with partners, countries and communities to fight COVID-19, adapt lifesaving HIV, TB and malaria programs, and reinforce fragile systems for health. At reporting date 30 June 2022 on a cumulative basis, the Investment Committee has approved country applications for USD 3.4 billion (C19RM 2021) (2021: USD 564 million C19RM2021) in immediate funding for 107 countries and 17 multi-country programs, to support their responses to COVID-19 in line with the COVID-19 Response Mechanism (C19RM) approved by the Board. For the first 6 months of 2022, this represents a total of USD 242 million in new funding approved by the Investment Committee (2021: USD 564 million).

In the following notes, each stage of the standard grant lifecycle has been analysed in detail:

3.1 Contingent liability

From a financial statement perspective, the first point of measurement for grants is the contingent liability. A contingent liability is reported at the earliest of (i) the Global Fund Board approval or (ii) the transmission of the draft grant agreement, which is conditional to the Board approval, to the Principal Recipient following the GAC recommendation. Both Board approval and transmission of draft grant agreement to the Principal Recipient represents a potential obligation that can be reliably measured but is still highly conditional upon future events. Following Board approval, all grants are covered by a grant agreement that includes substantive conditions based on performance and availability of funding.

During grant implementation the contingent liability is reduced by cumulative grant expenditure and any funding identified for portfolio optimization for new grants.

The following table summarizes the position of contingent liability for grants that will become future grants payable through the annual funding decision process.

	<u>30.06.2022</u>	<u>31.12.2021</u>
By category		
Grants approved but not signed	334	1,070
Grants signed but not committed	<u>7,709</u>	<u>7,974</u>
Total: Grant contingent liability for Principal Recipients	8,043	9,044
Strategic initiatives	<u>2</u>	<u>8</u>
Total	8,045	9,052

3.2 Grant expenditure

The following table summarizes the grant expenditures:

For the six months ended 30 June	<u>2022</u>	<u>2021</u>
By category		
Grants on behalf of Principal Recipients	771	2,778
Grants for PPM orders	<u>773</u>	<u>956</u>
Total grants for Principal Recipients	1,544	3,734
Grants under recovery	-	(5)
Strategic Initiatives	<u>41</u>	<u>17</u>
Total	<u>1,585</u>	<u>3,746</u>

3.3 Grants payable

The following table summarizes grants payable at:

	<u>30.06.2022</u>	<u>31.12.2021</u>
By grant category		
Grants on behalf of Principal Recipients within one year	2,764	3,597
Strategic Initiatives	<u>15</u>	<u>10</u>
Total grants payable within one year	2,779	3,607
Grants on behalf of Principal Recipients after one year	<u>5</u>	<u>48</u>
Total grants payable	<u>2,784</u>	<u>3,655</u>

Section 4: Donor activities

The Global Fund follows a three-year replenishment cycle to secure funding for its grants and administrative operations. At the time of a replenishment conference, donors make public announcements called pledges of their intended future contributions. The following notes provide the summary of accounting results of revenue recognition policy during the reporting period.

4.1 Contribution income / revenue recognition

The revenue recognition policy of the Global Fund follows the general principles as detailed in the conceptual Framework for Financial Reporting.

The first point of revenue recognition is the signing of a formal contribution agreement with a donor. All contributions governed by a written contribution agreement that do not have any substantive conditionality bearing on future receipts are recorded as income at the date of signature of the agreement. For the purposes of cash flows, contributions are considered as received when remitted in cash or cash equivalent.

The following table summarizes the sources of revenue recognized:

For the six months ended 30 June	<u>2022</u>	<u>2021</u>
By donor category		
Governments	2,007	667
Product (RED)	18	14
Others	<u>6</u>	<u>14</u>
Total	<u>2,031</u>	<u>695</u>

Government contributions for 2022 includes USD 1,420 million received towards the C19RM emergency response appeal (2021: USD 170 million). Others represent revenue from international foundations, not-for-profit organizations and corporations.

4.2 Contributions receivable

Contributions receivable are agreements signed where income has been recognized but the cash has not been received. Contributions receivables are stated at amortized cost net of a provision for expected credit loss to cover the risk of future non-payment.

Promissory notes and contributions receivable maturing later than one year after the reporting date are discounted at fair value using a rate of return reflecting the credit risk of the donor and subsequently measured at amortized cost using the effective interest method.

The impact towards discounting of long-term contributions receivable is disclosed separately in the statement of income for the reporting period.

The following table summarizes contributions receivable at:

As at	<u>30.06.2022</u>	<u>31.12.2021</u>
Contributions receivable within one year	1,017	1,707
Contributions receivable after one year	<u>660</u>	<u>722</u>
Total contributions receivable	<u>1,677</u>	<u>2,429</u>
Receivable within one year	1,017	1,707
Receivable within two years	18	17
Receivable after two years	<u>766</u>	<u>767</u>
Gross contributions receivable	1,801	2,491
Discounted	<u>(124)</u>	<u>(62)</u>
Net present value of contributions receivable	<u>1,677</u>	<u>2,429</u>

The Global Fund reviews all contributions receivable as at the reporting date to assess for any expected credit losses. This assessment is based on a review of the donor credit profile, the in-country economic and political situation and other known factors that may potentially result in reduced future cash receipts. Where the Global Fund determines there to be a collection risk, an appropriate risk premium is deducted from receivable balances to reflect this risk. The risk premiums held are maintained as a provision for expected credit losses. This includes USD 38 million of expected credit losses (2021: USD 10 million).

Other Receivables

The following table summarizes other receivables:

As at	<u>30.06.2022</u>	<u>31.12.2021</u>
Grants under recovery, net	15	15
Working capital advance for pooled procurement mechanisms	6	11
Security deposit	9	9
Prepaid expenses for Opex and Strategic Initiatives	<u>9</u>	<u>8</u>
Total	<u>39</u>	<u>43</u>

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. It includes expected credit losses of USD 12 million (2021: USD 15 million) given the uncertainty of future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

4.3 Conditional contribution

The Global Fund may enter into contribution agreements with donors that are subject to performance obligations or conditions to be realized and reported over the period of the agreement.

Given the uncertainty associated with the future encashments in respect of such donor agreements, USD 289 million (2021: USD 340 million) will be recognized as revenue in the financial year in which the related performance obligations are satisfactorily fulfilled.

Section 5: Management of funds

The Global Fund is a financing institution and hence the management of its financial assets and liabilities is integral to the successful mission of the organization. The Global Fund engages with commercial banks and the World Bank to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

Cash and cash equivalents includes amounts held in commercial banks that have a long-term credit rating of A or higher.

5.2 Trust Fund

The World Bank acts as the Trustee for the Global Fund Trust Fund. Assets held in trust by the World Bank are held in a pooled cash and investments portfolio (the Pool), established by the Trustee for all trust funds administered by the World Bank Group. The funds held in the Trust Fund qualify as a single asset and as such are presented separately in the statement of financial position but form an integral part of the operational cash management. Transfer of cash (rebalancing) between the Trust Fund and commercial banks are performed on demand.

There were no changes in the first six months of the year in the valuation techniques used for the Trust Fund's assets and the methodology and techniques as disclosed in Note 5.2 of the 2021 annual financial statements were applied consistently. There were no significant transfers from one level to the other and the allocation to Level 1 and 2 as at the interim reporting date is similar to the allocation as at 31 December 2021. There are also no Level 3 financial instruments included in the Trust Fund's assets as at 30 June 2022 (2021: NIL).

The following table shows the fair valuation hierarchy of Trust Fund's share of financial instrument held in the Pool:

At 30 June 2022	Level 1	Level 2	Level 3	Total
<i>Government and agency obligations</i>	1,243	1,791	-	3,034
<i>Asset and mortgage-backed securities</i>	-	439	-	439
<i>Equity</i>	176	-	-	176
<i>Time deposits</i>	27	799	-	826
<i>Repurchase/ resale agreements</i>		(15)	-	(15)
<i>Derivatives, net</i>	1	128	-	129
Sub-total:			-	4,589
<i>Cash, receivables & payables</i>				(399)
Total	1,447	3,142	-	4,190
<i>At 31 December 2021</i>	Level 1	Level 2	Level 3	Total
<i>Government and agency obligations</i>	1,183	1,203	-	2,386
<i>Asset and mortgage-backed securities</i>	-	349	-	349
<i>Equity</i>	213	-	-	213
<i>Time deposits</i>	74	1,405	-	1,479
<i>Repurchase/ resale agreements</i>	-	(18)	-	(18)
<i>Derivatives, net</i>	-	33	-	33
Sub-total:	1,470	2,972	-	4,442
<i>Cash, receivables & payables</i>				(262)
Total	1,470	2,972	-	4,180

The following table shows the Trust Fund's share of financial instruments held in the Pool measured at fair value:

As at	<u>30.06.2022</u>	<u>31.12.2021</u>
Financial instruments		
<i>(asset holding in percent)</i>		
Government and agency obligations	66	53
Time deposits and money-backed securities	18	33
Asset and mortgage-backed securities	10	8
Equity	4	5
Derivatives, net	2	1
<i>Total</i>	100	100

5.3 Foreign exchange exposures

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions, which creates an exposure to foreign exchange risk for these particular assets or liabilities. At the end of each reporting period, monetary items such as contributions receivable and grants payable in currencies other than USD are retranslated at the rates prevailing at that date. The following table summarizes exchange rates for significant foreign currency positions at the reporting dates indicated:

	30.06.2022	31.12.2021	% FX fluctuation	2022 Average Fx Rates	2021 Average Fx Rates
<i>AUD</i>	0.6889	0.7257	-5%	0.7159	0.7513
<i>CAD</i>	0.7753	0.7856	-1%	0.7851	0.7979
<i>CHF</i>	1.0475	1.0937	-4%	1.0638	1.0941
<i>EUR</i>	1.0464	1.1313	-8%	1.0939	1.1831
<i>GBP</i>	1.2160	1.3503	-10%	1.2967	1.3756
<i>NOK</i>	0.1011	0.1133	-11%	0.1095	0.1164
<i>SEK</i>	0.0979	0.1105	-11%	0.1045	0.1166

[Source: Thompson Reuters FX rates subscription]

5.4 Foreign exchange risk management

The Global Fund uses derivative financial instruments including forwards and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. The forward and swap contracts used by the Global Fund to mitigate foreign exchange risk are recognized at fair value, with subsequent movements in value reported through the statement of income. As at 30 June 2022, the forward contracts were fair valued as Level 2 financial instruments.

The methodology and techniques applied for the fair valuation of the derivative financial instruments remain consistent with Note 5.6 of the 2021 annual financial statements.

The following table presents the notional value and the fair value of derivative financial instruments by currency.

BY SETTLEMENT DATE	<u>30.06.2022</u>	<u>31.12.2021</u>
Assets to be settled within 12 months	53	59
Liabilities to be settled within 12 months	(41)	(6)
Net asset for derivative financial instruments at fair value	<u>12</u>	<u>53</u>

At 30 June 2022

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	77	1
CAD	335	4
CHF	(115)	(3)
DKK	125	-
EUR	(400)	(19)
GBP	163	23
NOK	-	2
SEK	-	4
Net asset for derivative financial instruments at fair value		12

At 31 December 2021

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	107	2
CAD	533	13
CHF	(222)	(1)
DKK	108	1
EUR	(162)	20
GBP	394	12
NOK	698	1
SEK	807	5
Net asset for derivative financial instruments at fair value		53

5.5 Foreign exchange results

The following table summarizes foreign exchange results:

For the six months ended 30 June	<u>2022</u>	<u>2021</u>
By net position		
Foreign exchange losses before derivative instruments	(86)	-
Fair valuation gains on derivative financial instruments	<u>16</u>	<u>3</u>
Net foreign exchange (loss)/ gain	<u>(70)</u>	<u>3</u>

5.6 Financial income, net

The financial income on the Trust Fund, net of trustee fees, are summarized in the table below:

For the six months ended 30 June	<u>2022</u>	<u>2021</u>
Trust Fund (loss)/ gain, net	(114)	36
Trustee fees	<u>(1)</u>	<u>(1)</u>
Total	<u>(115)</u>	<u>35</u>

As of 30 June 2022, the Trust Fund loss included an unrealized loss of USD 141 million (2021: unrealized loss USD 21 million).

5.7 Provident Fund investments

The following table provides the composition of Provident Fund investments:

	<u>30.06.2022</u>	<u>31.12.2021</u>
<i>Equity</i>	48	52
<i>Bonds</i>	120	136
<i>Real estate</i>	<u>53</u>	<u>51</u>
Total	<u>221</u>	<u>239</u>

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure in order to deliver the Global Fund's mission. The following table summarizes the operating expenses under the main categories of expenditure:

For the six months ended 30 June	<u>2022</u>	<u>2021</u>
Workforce	105	94
External assurance	17	18
Professional fees	19	12
Others	<u>27</u>	<u>21</u>
Total Secretariat expenses	<u>168</u>	<u>145</u>
Provident Fund valuation	<u>18</u>	<u>-</u>
Total	<u>186</u>	<u>145</u>

6.2 Employee benefit liabilities

Due to a significant increase in discount rates since 31 December 2021, the fair value of the defined benefit obligation has been reassessed, which led to a net reduction of the related employee benefit liabilities of USD 32 million.

Glossary

AFC	Audit and Finance Committee
ACT-A	Access to COVID Tools Accelerator
ALM	Asset-liability management
AUD	Australian dollar
C19RM	COVID-19 Response Mechanism
CAD	Canadian dollar
CHF	Swiss franc
DKK	Danish krone
EUR	Euro
FVTPL	Fair value through profit and loss
GBP	Pound sterling
HRH	Human resources for health
HTM	HIV, tuberculosis, malaria
NOK	Norwegian krone
IFRS	International Financial Reporting Standards
PPM	Pooled Procurement Mechanism
SEK	Swedish krona
USD	United States dollar

Save

20

**Million
more lives**

