

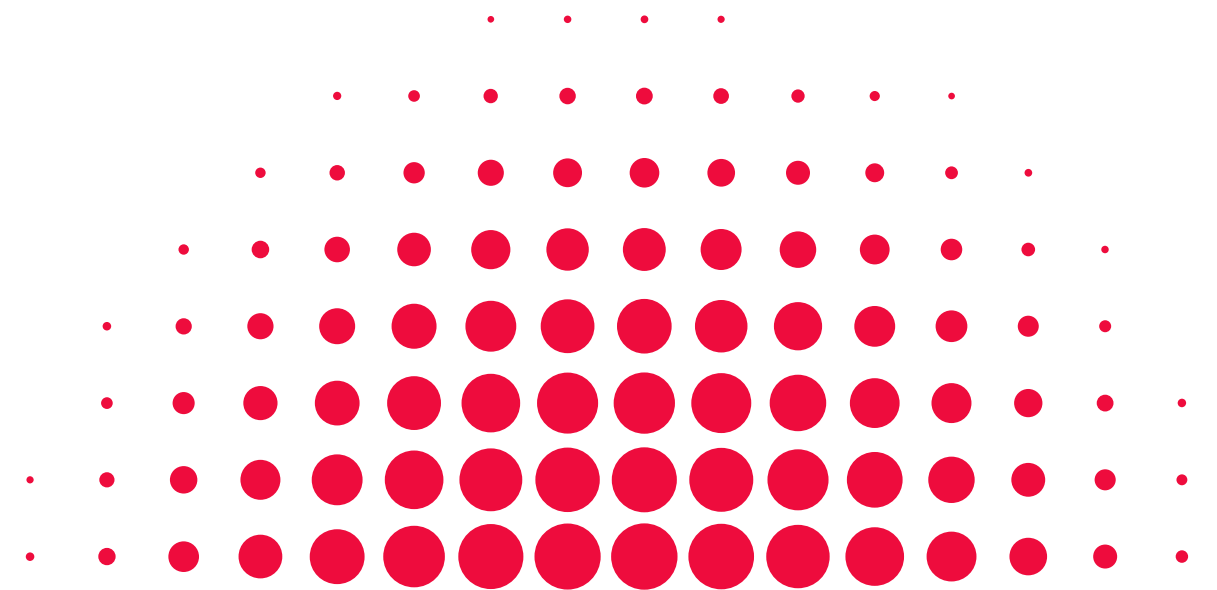
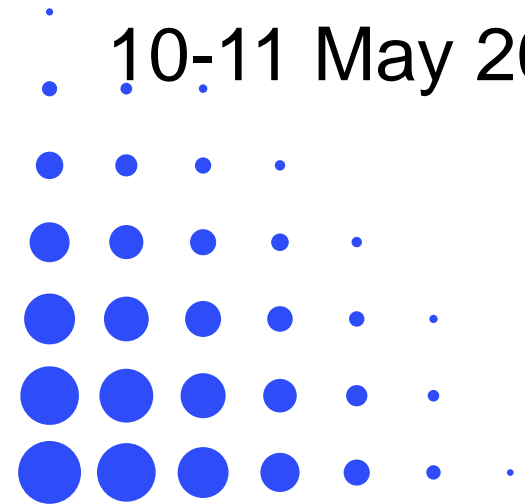
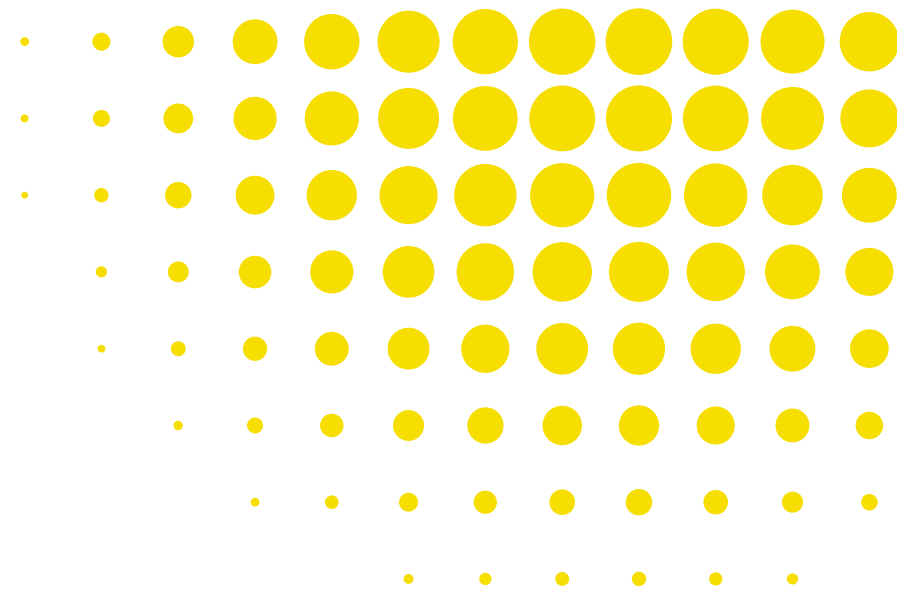


Financial Performance as at 31st December 2022

49th Board Meeting

GF/B49/13

10-11 May 2023, Hanoi, Vietnam



Agenda

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Executive Summary

Sources of Funds remain stable despite a volatile economic environment, impacted by continued geopolitical tensions

- **Strong pledge conversion** of 92% for the 6th Replenishment, while also noting progress on the 7th Replenishment with ~US\$ 500M already received.
- Performance of Investment income & FX being closely **monitored** considering the highly volatile markets causing tensions on the SoF.

Uses of Funds : HTM performance on track to meet Secretariat absorption target

- **Strong performance** of Core HTM grants for the current cycle with active monitoring maintained on implementation.

Uses of Funds : C19RM extension provides opportunity to address past implementation and absorption challenges

- Extension of C19RM offers an **opportunity to shift the investment landscape** to scale-up & accelerate implementation.
- **Re-budgeting will provide the required assurance** and further improve the quality of the forecast to enable PO recommendation for AFC decision later in 2023.

ALM: Limited flexibility for further optimization considering the maturity, high performance of HTM & economic volatility

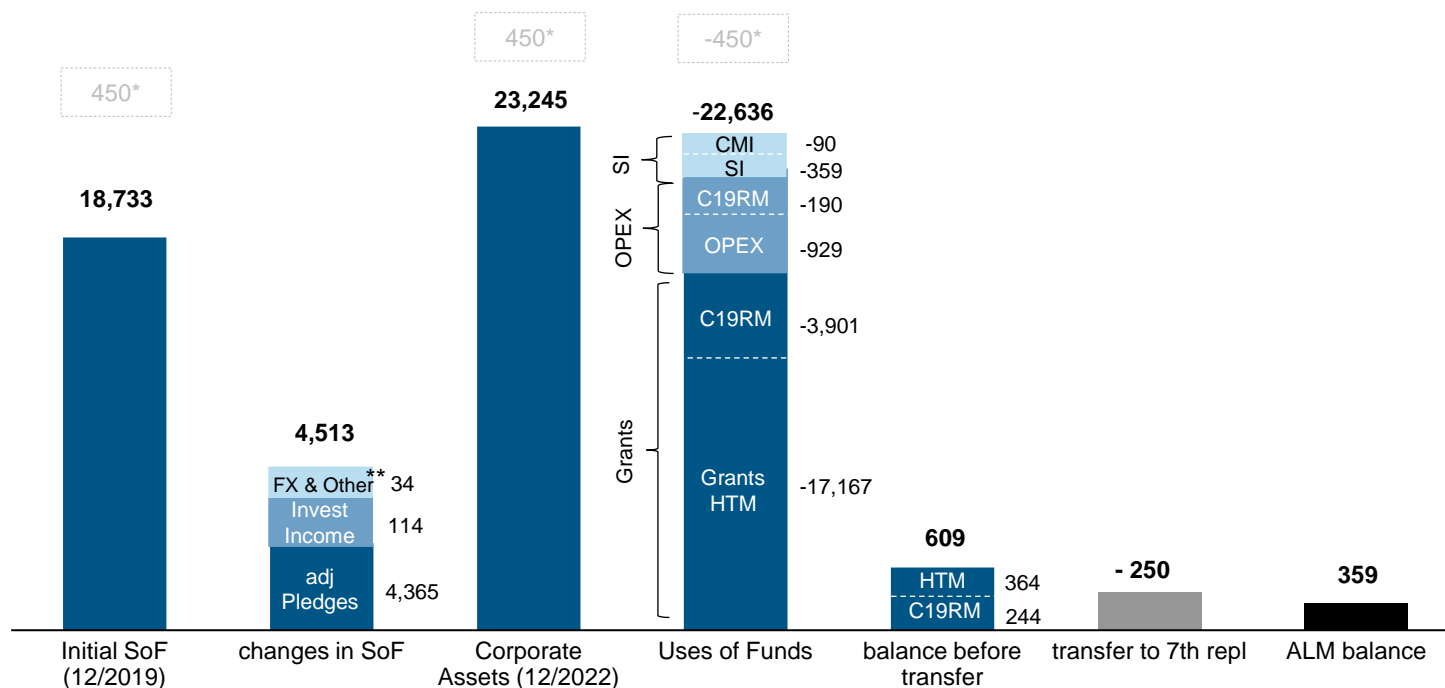
- **Asset utilization of 97%** affirms the positive impact of over allocation and forecast quality oversight over the 2020-2022 period.
- Overall ALM balance of US\$ 359M illustrating **limited flexibility** for future optimization.

Strong financial performance with 97% asset utilization up to the 6th cycle despite a volatile economic outlook that impacted the level of investment income and FX

in \$ M

ALM Balance up to the 6th

Forecasted corporate asset utilization of 97% demonstrates good organizational maturity. Excl. C19RM, sources of funds under management until the 6th cycle remains under tension with a volatile economic outlook and potential impact on investment income and forex. The resulting ALM balance provides limited flexibility for further optimization on the uses of funds front.



Organizational Performance	%
Overall ALM Utilization	97%
Pledge quality (R6)	94%
Grant Operations	
HTM (GC6)	93%
C19RM 2021	94%
Strategic Initiatives	82%
SL_Catalytic	81%
SL_CMI	85%
Secretariat Operating Costs	
Regular OPEX	101%
C19RM Mngt fees	100%

** Includes FX of US\$ 26M, with the remaining balance of US\$ 7.7M not impacting the financial statements & representing a reversal of prior ALM adjustment that has not materialized.

NB: Figures are rounded.

Proximal Financial Performance indicates great progress on HTM and an opportunity to leverage the extension of C19RM to reorient investment and improve the financial performance of C19RM over the next 24-30 months

As of 31 December 2022 for IPs submitting Proximal Financial data

	HTM					C19RM 2021				
	Cum. Bud.*	BU**	DU**	ICA**	ICA	Cum. Bud.*	BU**	DU**	ICA**	ICA
Target:		95%	90%	85%	(Prior Quarter)		95%	90%	85%	(Prior Quarter)
West & Central Africa (WCA)	\$2,465M	94%	87%	78%	71% ↑	\$791M	51%	64%	33%	28% ↑
Rest of Africa (RoA)	\$3,465M	96%	84%	75%	68% ↑	\$1,013M	65%	64%	41%	35% ↑
Rest of the World (RoW)	\$1,337M	90%	79%	67%	59% ↑	\$416M	63%	53%	34%	25% ↑
Overall Results	\$7,267M	94%	84%	75%	67% ↑	\$2,221M	60%	62%	37%	31% ↑

*Cumulative Budget to 31 December 2022. Pulse Check results include all active Core & High Impact grants submitting by the cut-off date (94% compliance in Q4 2022). HTM results include GC6 grants; C19RM 2021 results include both GC5 and GC6 grants.

**Refer to definitions on Slide 16 in Annexes.

Strategic Actions to address C19RM challenges and lessons learned

Visibility on Investment Landscape and Reinvestment Landscape

- **Determine activities that should be continued / executed** during the extension implementation period.
- **Establish strategic investment shifts with defined activities (e.g., RSSH & PPR) with high capacity for execution and effective utilization of funds** within the extension timeframe.
- **More proactive communications and engagement with countries and TA** on strategic investment priorities and reinvestment.

Maintain Urgency and Agility in Deployment of Funds

- **Accelerate integration of approved awards into budgets.**
- **Accelerate operationalization of C19RM extension, awards and completion of PO Wave 2.**
- **Investment shifts and budget revisions to enable implementation and tracking.**
- **Continue operational oversight on procurement and delivery progress for health products**, oxygen plants and other health equipment for PPM/Wambo and in-country procurement.
- **Identify funds available for reinvestment and potentially additional funds for PO** through the forecast and launch PO Wave 3 before Q4 2023.

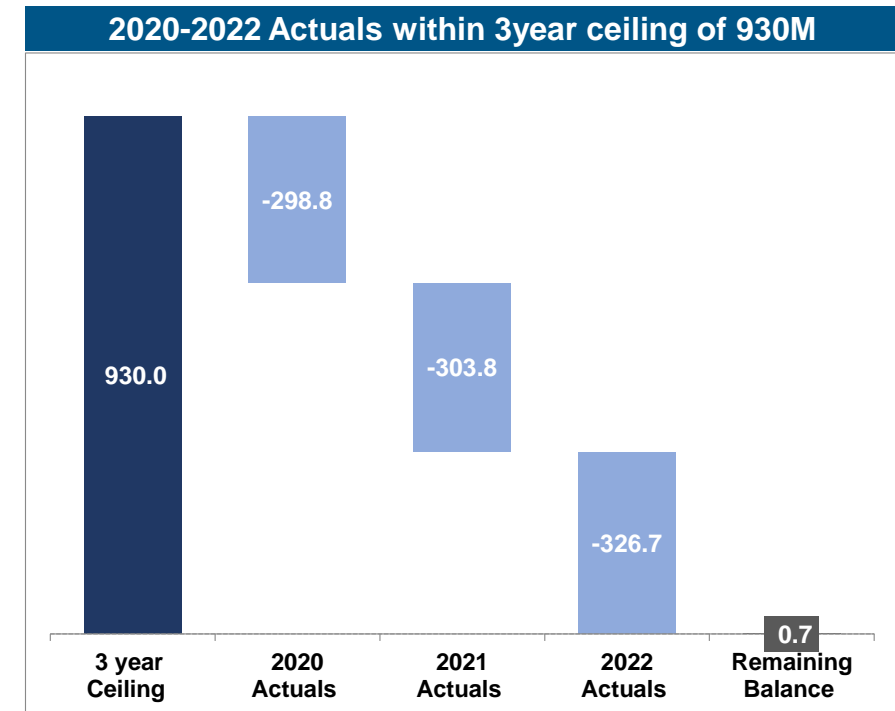
Enhanced Monitoring and Support Implementation

- **Reporting on progress in operationalization and the integration of investments** into grant budgets through the re-budgeting exercise.
- **Reporting progress on procurement** and delivery to achieve the annual disbursement and expenditure targets.
- **Leverage the data on programmatic needs and execution trends** to tactically drive further investment shifts for programmatic impact and absorption.
- **Perform analyses in a sample of countries (5 to 10)** to layout bottlenecks to improve programmatic execution and expenditure management by the LFA in close collaboration with TAP and Finance.
- **Tracking and proactive analysis and modelling of in-country absorption and program execution** evolution to drive re-investment and reorientation of investment landscape.

OPEX - 2022 excess spend mainly driven by additional replenishment costs, but remains within 3-year ceiling of US\$ 930M

Summary - OPEX

2022 Actuals by cost nature				
in US\$ M	YTD	YTD December	Var. YTD Actuals vs	
	December	Revised	Budget	
	Actuals	Budget	abs	%
LFA Fees	44.8	48.7	(3.9)	(8.0%)
CCM Funding	7.6	9.8	(2.2)	(22.8%)
Costs Secretariat and OIG	262.9	260.7	2.2	0.8%
Workforce	176.6	179.5	(2.9)	(1.6%)
Staff	165.1	171.5	(6.4)	(3.7%)
Individual / Temp Consultants	11.5	8.0	3.5	43.8%
Professional fees	37.8	35.0	2.8	7.9%
Travel	10.9	11.1	(0.1)	(1.0%)
Meetings	5.0	3.2	1.7	53.1%
Communications	1.8	1.5	0.3	22.0%
Office Infrastructure	25.0	23.2	1.7	7.4%
Board Constituency	1.1	1.6	(0.5)	(33.9%)
Depreciation	4.9	5.6	(0.7)	(12.5%)
External Co-Funding	(0.1)	0.0	(0.1)	
Opex before non-recurring costs	315.3	319.2	(4.0)	(1.2%)
Total Non-recurring costs	10.7	2.9	7.8	++
Total operating costs	326.0	322.2	3.8	1.2%
Extraordinary costs	0.7		0.7	
Total OPEX incl. extraordinary costs	326.7	322.2	4.5	1.4%



Key Insights

- **Highest level of Opex spend - US\$326.7M in the history of the Global Fund** in excess of budget, mainly driven by **overspend of US\$ 6M for 7th replenishment related costs**.
- With the funeral of Her Majesty the Queen of England initially coinciding with the timing of the replenishment conference, the Seventh Replenishment Conference was rescheduled, resulting in unforeseen additional spend and an extraordinary loss of USD 0.7 million as a result of cancellation fees and penalties.
- Staff cost savings from delays in hiring and underspends in CCM & LFA allowed reallocation of resources for tactical re-investments particularly in Resource mobilization for the 7th Replenishment Conference, IT systems' agility, increased GHC costs due to inflation and the Future of Work post-covid adaptation.

C19RM Management and Operating Costs - 2022 Actuals by Nature and Thematic Area

C19RM Management & Operating Costs by Nature

in M USD	YTD Dec 2022 Actuals	ITD Actuals 2021 - 2022
	2022	2021 - 2022
LFA Fees	12.9	19.5
Other Assurances (SO)	3.2	5.7
CCM Funding	0.2	2.1
Secretariat Costs	25.4	33.9
Workforce	18.0	24.4
Staff	15.5	20.2
Consultants	2.4	4.1
Professional Fees	2.9	4.9
Travel	2.0	2.0
Meetings	0.0	0.0
Communications	-	0.1
Office Infrastructure	2.6	2.6
Total Opex before non-recurring	41.7	61.3
Non-recurring costs	1.3	1.3
Total Operating Costs	43.0	62.6
Total Envelope	190.0	190.0
Total Utilization	23%	33%
<i>Unallocated C19 Funds</i>		

Management & Operating Costs by Thematic Area

in M USD	YTD Dec 2022 Actuals	ITD Actuals 2021 - 2022
	2022	2021 - 2022
Secretariat Operational Capabilities	16.1	21.4
Programmatic Capabilities	4.5	6.4
Organizational Risk & Assurance	0.4	0.6
Digitalization and IT security	4.0	5.1
In-Country & External Assurance	16.6	27.9
Structural and Technical Adjustments	1.3	1.3
Total Operating Costs	43.0	62.6
Total Envelope	190.0	190.0
Total Utilization	23%	33%
<i>Unallocated C19 Funds</i>		

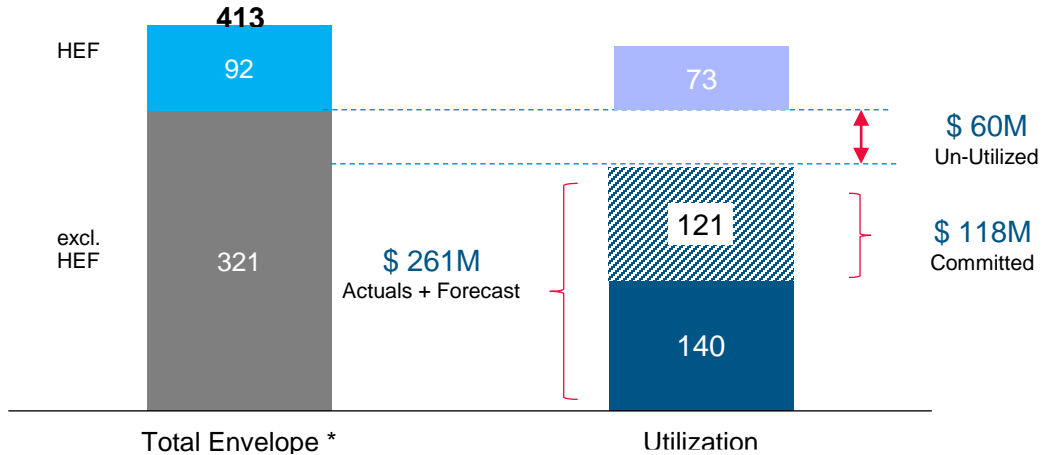
- C19RM Management & Operating Costs are mainly driven by workforce and LFA fees, making up 72% of the 2022 actual spend.
- Cumulative envelope utilization of 33%, with 3 years remaining until 31 Dec 2025 for the end of C19RM implementation.
- With the current utilization trend, it is expected that the 100% utilization rate will be met by the end of the implementation period.

Strategic Initiatives (excl. HEF) - projected fund utilization of 81%, with reallocations planned in Q1 23

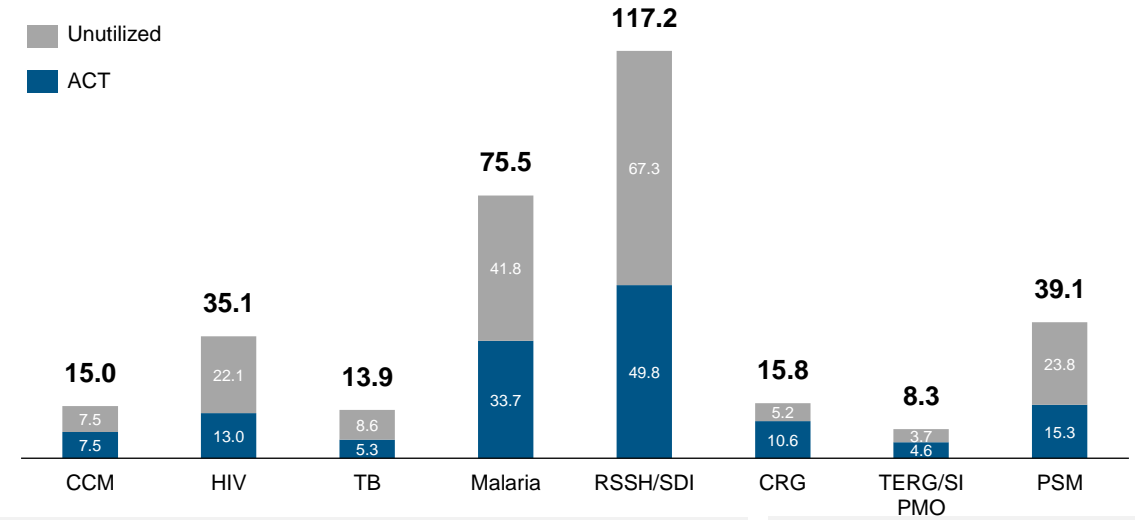
Summary - Strategic Initiatives (SI)

in \$ M

Envelope vs. Utilization Forecast



Utilization by Thematic Area (Based on Approved GAC Budgets)



- **Actual Fund utilization of 44% (US\$ 140M)** is lower compared to the same period of the previous cycle 59% (US\$ 122M). This is explained by the adoption of a deliverable-based approach which reduced up-front payments compared to the previous cycle.
- **Fund utilization of 81%**, leaving potential unutilized funds of **US\$ 60M**. This is driven by delays encountered in the first year of implementation, not able to be fully addressed by subsequent acceleration in Year 2 of implementation.
- **US\$ 118M or 98% of forecast (excl. actuals) is already contractually committed** through purchase orders with suppliers and with technical partners, noting the very high probability of crystalizing the current forecasts.

- Despite higher utilization rates in 2022 (79% utilization of the original Year 2 budget), it is expected that SIs cannot catch up on all the ground lost in 2021 across all priorities.
- Quality & feasibility are key considerations in final year reallocations to be launched in March 2023.
- There is an opportunity to implement a dynamic framework towards optimization which is under consideration.

SI	Total \$ M	Implemented by Partners	Other Imp
Funding	321	19%	81%
Utilization	140	48%	43%

ALM of US\$ 359M leaves limited flexibility for optimization, with tensions on the SoF

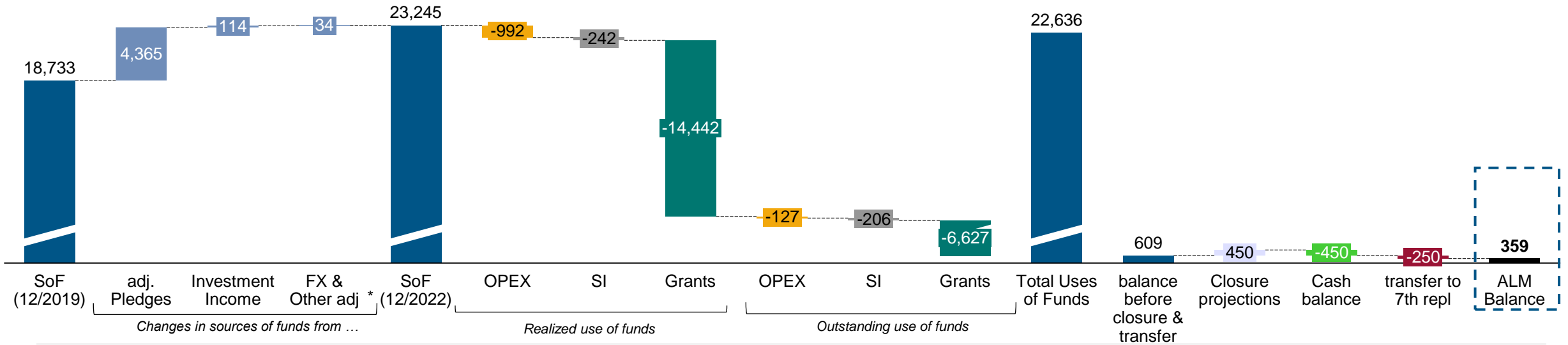
Overall ALM until the 6th Replenishment

Amounts in US\$ millions at reference rate, actuals to 31 Dec 2022

in \$ M

Transition to the 7th cycle ALM

ALM Balances – incl. 6th Replenishment³



- Positive combined ALM of US\$ 359M (HTM – US\$ 114M; C19RM – US\$ 244M).
- Sources of funds remain stable (excl C19RM), leaving limited space for further optimization decision.

Closure Projections Estimates Revised

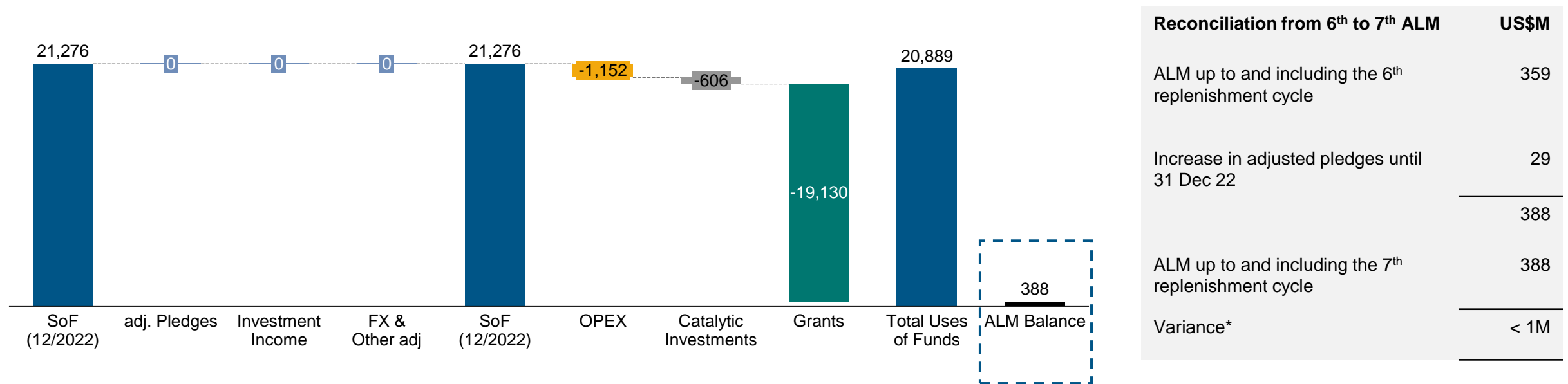
- Initial closing cash balance estimate of US\$ 550M (representing 5% of disbursement value to grants).
- GC5 grants reported better absorption than expected, leaving less closing cash on the table (4% of disbursement value based on actual validated closure reports).
- The estimated closing cash balance target was then revised down to US\$ 450M, representing around 4% of actual disbursements for GC5 grants.

* Includes FX of US\$ 26M, with the remaining balance of US\$ 7.7M not impacting the financial statements & representing a reversal of prior ALM adjustment that has not materialized.

Positive ALM balance of US\$ 388M, on a combined basis up to the 7th replenishment – Opening position for 01 January 2023 (until R7)

Overall ALM until the 7th Replenishment

Amounts in US\$ millions at reference rate, actuals to 31 Dec 2022



➤ Positive combined ALM of US\$ 388M up to and including the 7th cycle, incorporating the impact of additional pledges received until 31 December 2022.

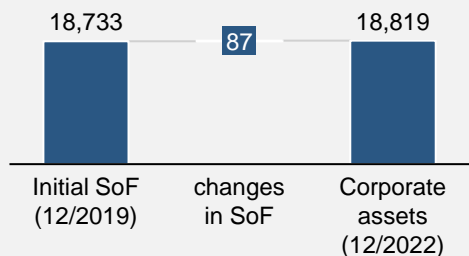
*After rounding, the difference is not statistically different from zero, we therefore consider that the ALM is reconciled.



Annexes

ALM illustrates positive asset optimization with opportunities for accelerated execution of C19RM

Sources of Funds (SoF)¹



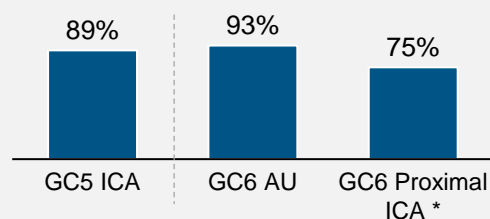
SoF¹ remains stable despite a volatile economic environment, impacted by continued geopolitical tensions.

- Performance of inv. income & FX must be **continuously monitored**, as it impacts stability of the SoF.
- Encashment of pledges (post 7th Repl. Conf) is progressing with **~US\$ 500M already received** at 31st Dec 2022.

¹Excluding C19RM & up to the 6th Rep

Uses of Funds – Grants, C19RM, OPEX & SI

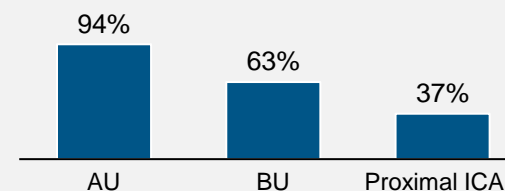
Grants - HTM



GC6 grants on track to meet Secretariat target ICA based on results from proximal financial information.

- **GC5: Strong performance with ICA of 89%.** Grant closures has progressed slowly given the Covid-19 context and the improved absorption changes the closing cash estimates to US\$ 450M (US\$ 377M verified and validated).
- **GC6:** Disbursement trending at same pace as GC5; in absolute terms **+25% vs. previous cycle** with US\$ 7.5Bn disbursed.

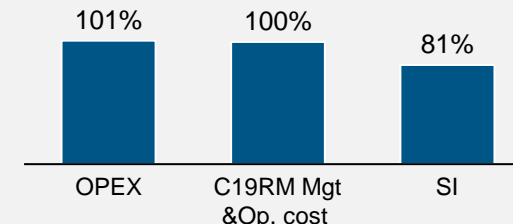
Grants - C19RM 2021



Low absorption based on the current plans. 2- year extension requires a revised ambition that will enable implementation scale-up to bridge the gap between absorption & reinvestment opportunities.

Further analysis for C19RM on slides 11 to 16.

OPEX & SI



- **OPEX utilization** marginally exceeds budget in 2022, driven by additional replenishment related cost, and within 3-year ceiling.
- **C19RM Management & Operating costs** forecasted to be fully utilized by 2025.
- **Strategic Initiatives** : 81% utilization forecast with further reallocations programmed to enhance optimal reprioritization.

ALM – until the 6th Replenishment

Combined ALM of US\$ 359M leaves **limited flexibility for further optimization** at this stage, considering persisting tensions and market volatility on SoF.

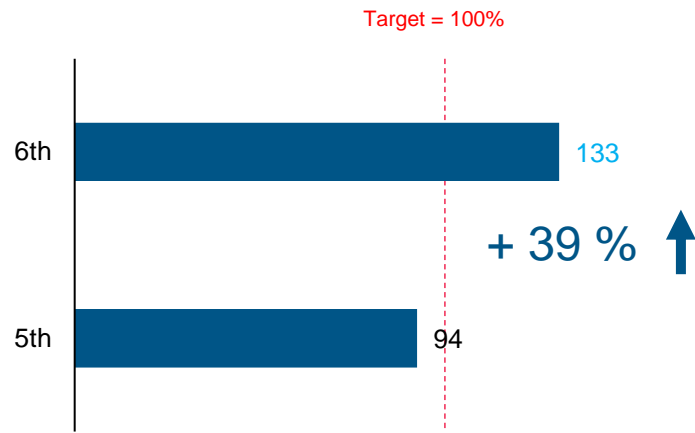
- Continue to maintain a prudent approach to managing the ALM.

6th Rep - Pledge conversion progressing by +US\$ 5.8Bn (+57%) compared to the same period of the previous cycle, driven by C19RM. Pledge quality improves by 2%

Summary – 6th Replenishment Pledges¹

Pledge Target – KPI 10a

in %

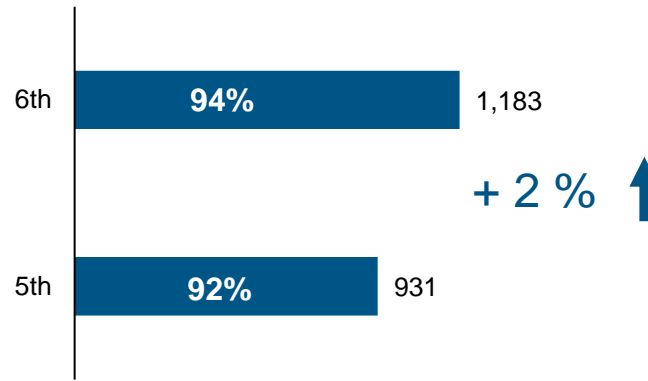


- Fulfilment of replenishment target improved by +39% compared to 5th replenishment.
- Announced pledges of US\$ 18.6Bn exceeded initial target of US\$ 14.0Bn by +US\$ 4.6Bn in 6th replenishment, mainly driven by additional adjusted pledges to C19RM.
- 7th Replenishment² indicates 87% achievement of pledge target, with efforts continuing on the resource mobilization front.

Note: Some totals may not add up due to rounding.

Pledge Quality

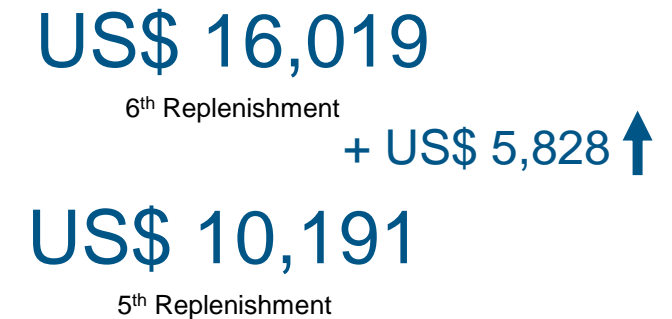
Pledge adjustments in \$ M, pledge quality in %



- Pledge quality +2% higher at 94% compared to the similar period under the 5th replenishment.
- Value of pledge adjustments is higher by US\$ 251M and currently stands at US\$ 1,183M for the 6th replenishment.
- 7th Replenishment² indicates pledge quality of 87%.

Cash Conversion

in \$ M



- Absolute cash receipts of US\$ 16,019M higher by +US\$ 5,828M in 6th replenishment cycle compared to the similar period under the 5th replenishment.
- Improvement of cash conversion to 92% (vs. 67% reported at AFC20), higher to conversion level of 90% for the similar period under the 5th replenishment.
- 7th Replenishment² cash receipt of ~US\$ 500M.

1. Amounts in US\$ millions at reference rate, actuals to 31 December 2022.
2. R7 will be integrated in future reporting from AFC 22.

OPEX - 2022 excess spend mainly driven by additional replenishment costs & remains within the 3-year ceiling of US\$ 930M

Summary - OPEX

2022 Actuals by cost nature

in US\$ M	YTD	YTD December	Var. YTD Actuals vs	
	December	Revised *	Budget	
	Actuals	Budget	abs	%
LFA Fees	44.8	48.7	(3.9)	(8.0%)
CCM Funding	7.6	9.8	(2.2)	(22.8%)
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Total OPEX incl. extraordinary costs	326.7	322.2	4.5	1.4%

2022 Actuals by Delivery Approach














in US\$ M	YTD December	YTD December	Var. YTD Actuals vs	
	Actuals	Revised Budget	Budget	
			abs	%
Strategy & Resource Mobilization	40.2	36.1	4.1	11.3%
Strategy	8.7	10.3	(1.6)	(15.1%)
Resource Mobilization	31.4	25.8	5.6	21.9%
Operational Delivery	110.2	112.0	(1.8)	(1.6%)
Grant Mgt Country Teams	71.7	72.9	(1.2)	(1.6%)
Technical Delivery	38.5	39.1	(0.6)	(1.5%)
Secretariat Support / Enabler	84.6	82.9	1.7	2.0%
Assurance	22.1	23.0	(0.9)	(3.9%)
Structural & Technical Adjustment	10.7	2.9	7.8	++
PART A - Total Secretariat	267.9	257.0	10.9	4.2%
Operational Delivery	8.8	11.5	(2.7)	(23.2%)
CCM & CCM Evolution	8.8	11.5	(2.7)	(23.2%)
Assurance	49.3	53.7	(4.4)	(8.2%)
PART B - In-Country & Independent bodies	58.1	65.1	(7.0)	(10.8%)
Total operating costs	326.0	322.2	3.8	1.2%
Extraordinary costs	0.7		0.7	
Total OPEX incl. extraordinary costs	326.7	322.2	4.5	1.4%

Key Insights

- **Highest level of Opex spend - US\$326.7M in the history of the Global Fund** in excess of budget, mainly driven by overspend of US\$ 6M for 7th replenishment related costs.
- With the funeral of Her Majesty the Queen of England initially coinciding with the timing of the replenishment conference, the Seventh Replenishment Conference was rescheduled, resulting in unforeseen additional spend and an extraordinary loss of USD 0.7 million as a result of cancellation fees and penalties.
- Staff cost savings from delays in hiring and underspends in CCM & LFA allowed reallocation of resources for tactical re-investments particularly in Resource mobilization for the 7th Replenishment Conference, IT systems' agility, increased GHC costs due to inflation and the Future of Work post-covid adaptation.

* Revised Budget refers to the original 2022 Budget and includes adjustments related to Priority Budget Transfers from Divisions to IT for projects

Grant Financial Performance Index

Measurement	Definition	Calculation	Thresholds
Allocation Utilization (Forward looking)	Total amount of funds disbursed and forecasted to be disbursed to a country, against its allocation amount for the Allocation and Grant Implementation Period.	Forecasted Disbursement / Allocation	Allocation Utilization:  >= 91%  75% to <91%  Below 75%
Budget Utilization	A forward-looking metric providing visibility on actual disbursements against the latest approved budget and implementation period. This effectively measures the release of funds for Goods & Services to be delivered at country level	(Disbursement + Cash Balance) / Budget	Budget Utilization:  >= 95%  85% to <95%  Below 85%
Disbursement Utilization	This is indicative of in-country utilization of funds disbursed within the implementation period. It is the proxy assessment of absorptive capacity and indicates potential in-country cash optimization level	Expenditure / Disbursement	Disbursement Utilization:  >= 90%  75% to <90%  Below 75%
In-Country Absorption (Backward-looking)	Proportion of the cumulative in-country expenditure against the cumulative grant budget, within the reported timeframe during the Grant Implementation Period.	Expenditure / Budget	In-Country Absorption:  >= 85%  75% to <85%  65% to <75%  Below 65%

Definitions

Sources of Funds (SoF)

1. Pledges

1.1 Adjusted pledges

Announced pledges less adjustments for risk and ineligible factors as defined in the Comprehensive Funding Policy (CFP).

1.2 Pledge quality

Ratio of adjusted pledges to announced pledges where a higher ratio implies a higher pledge quality.

Uses of Funds

2. Grants

2.1 Allocation Utilization (AU)

Total amount of funds that is disbursed and forecasted to be disbursed to a country against its allocation amount for the Allocation and Grant Implementation Period.

2.2 Budget Utilization (BU)

A forward-looking metric providing visibility on actual disbursements against the latest approved budget and implementation period. This effectively measures the release of funds for Goods & Services to be delivered at country level.

Uses of Funds cont.

2. Grants cont.

2.2 In-Country Absorption (ICA)

Proportion of the cumulative in-country expenditure against the cumulative grant budget, within the reported timeframe during the Grant Implementation Period.

2.3 C19Rm In-country utilization

Total C19RM expenditure against C19RM awards + Grant Flexibilities. This is a better measurement of financial performance for C19RM given PR has flexibilities to reprogram through grant flexibilities.

3. Strategic Initiatives (SI)

3.1 SI Fund Utilization

Total amount of funds forecasted to be paid / disbursed against initial SI envelope.

4. Operating Expenditure (OPEX)

4.1 Actual Execution

OPEX Actuals YTD vs against Budget YTD for the reporting period.

4.2 Budget Execution

Latest OPEX forecast for the full year against OPEX Budget for the full year.