

# **2023 Interim Financial Report**

30 June 2023

Le Grand-Saconnex, Switzerland

## Contents

1. Operational highlights 3

2. Financial highlights 5

**CONDENSED INTERIM FINANCIAL STATEMENTS 10**

Interim statement of income (unaudited) 12

Interim statement of comprehensive income (unaudited) 12

Interim statement of financial position (unaudited) 13

Interim statement of cash flows (unaudited) 14

Interim statement of changes in funds (unaudited) 15

Notes to the condensed interim financial statements 18

**Glossary 32**

# 1. Operational highlights

## 1. Key highlights

The Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria held its 49th meeting on 10 and 11 May 2023 in Ha Noi, Viet Nam, the first to take place in the Western Pacific region since 2007. The Board notes strong progress against the three diseases in several parts of the world – including progress towards the **95-95-95 HIV targets** in Eastern and Southern Africa, the success in fighting drug-resistant malaria in the Greater Mekong region, and the general bounce-back in TB services and metrics.

Besides the disruptions created by the COVID-19 pandemic in the delivery of SDG 3 objectives, climate change, increasing conflict and population displacement are affecting the epidemiology and transmission of existing diseases, especially malaria. This also increases the risk that new and more complex disease could emerge. In addition, the sharp deterioration of LGBTQI+ rights in numerous countries over the last few months threatens to further impede access to health for communities who already face stigma and discrimination.

The Global Fund continues to foster robust collaboration with its global partners to maintain the ambition of ending AIDS, TB and malaria by 2030, including by leveraging innovation and sustaining increased investments in health systems strengthening.

The Board also announced the appointment of Lady Roslyn Morauta as Chair and Bience Gawanas as Vice-Chair, bringing two women with exceptional leadership and international expertise to the governance of the Global Fund.

From a financial performance perspective, the current pledge conversion is stable while the economic outlook remains volatile. As at 30 June 2023, the Sixth Replenishment closed with USD 18.6 billion in announced pledges (including pledges towards C19RM-COVID 19 Response Mechanism) against which uncollectable adjustments of USD 1.0 billion were required, resulting in pledge quality of 94%. The high pledge conversion ratio, complemented by an efficient operating expenditure and an effective foreign exchange management, continue to evidence the strong and effective partnership model of the Global Fund.

## 2. Grant Funding

On the HTM (HIV, TB & Malaria) front, over 70% of GC6 (Grant Cycle 6) grants entered their final year of implementation in 2023 and at 30 June 2023, the Grant Approvals Committee and Board had approved allocation of USD 13.5 billion towards HIV, TB, malaria, and RSSH programs for the 2020-2022 allocation period. On the execution front, HTM grants report strong performance with 77% in-country absorption based on latest validated expenditure reports at 31 December 2022, and remain on track to meet Secretariat absorption targets (within +-4% margins) by the end of the 2020-2022 allocation period.

The COVID-19 pandemic 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 total funding of up to USD 5 billion, including grant flexibilities, C19RM 2020 and C19RM 2021 mechanism, 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. In addition, a total of USD 4.5 billion in donor pledges (inclusive of both C19RM 2020 & 2021 mechanism) was made available by 30 June 2023.

The Global Fund responded quickly to procurement needs and demand for HTM mitigation based on a solid organizational infrastructure, speed and agility in deployment of funds. C19RM support allowed countries to have timely and secure access to COVID-19 diagnostics, PPE and oxygen. Investments in HTM mitigation allowed for rapid recovery across key programmatic areas. Urgent investments in health systems and centrally managed limited investments (CMLIs) further supported strengthening longer term investments.

The pandemic evolution and a period of uncertainty was defined by the decrease in country demand for COVID-19 health products, and low expenditure. Countries not spending money on products they did not need presents a unique opportunity to invest the unutilized funds in strengthening components of health systems that underpin pandemic preparedness which are aligned with funding needs.

The Secretariat has embarked on enabling the shift in the C19RM investment landscape which entails understanding investment and reinvestment landscape to mobilize remaining funds in the COVID-19 response budget lines to finance the strategic priorities aligned with the Board extension. C19RM portfolio optimization is being used as a lever to further drive this strategic shift.

Implementation of the shift requires massive scale up in the strategic priority areas including Oxygen and respiratory care, Surveillance, Lab Strengthening, Community Health Workers, Health products and waste management. Implementation support and Technical Assistance (TA) through CMLIs (e.g., BOXER and STELLAR) will be critical to addressing capacity gaps and bottlenecks. Monitoring & Oversight (M&O), Monitoring & Evaluation (M&E) and assurance frameworks have been aligned with the strategic shift to drive results.

### 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 coming 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 Pledging Conference for the Global Fund’s Seventh Replenishment period from 2023-2025, hosted by President Joe Biden of the United States of America, took place between 18 and 21 September 2022 in New York.

As of June 2023, the Global Fund partnership has secured commitments from 50 public and 27 private donors for a total of USD 15.67 billion for the 2023-2025 allocation period, out of the target of at least USD 18 billion set in the Seventh Replenishment Investment Case. This represents the largest amount pledged to the Global Fund to date, marking an increase of 12% in pledges compared to the Sixth Replenishment. This showed an unprecedented commitment from Global Fund donors amid a particularly challenging macroeconomic and geopolitical environment.

While resource mobilization efforts to secure additional pledges will continue, the Secretariat’s primary focus is to ensure that donor commitments are formalized through the signing of contribution agreements and timely pledge conversion. Keeping in mind global fiscal constraints and other contextual factors, the Secretariat is actively following up with donors to mitigate potential funding risks.

As of 30 June 2023, **the Sixth Replenishment** closed with USD 18.6 billion in announced pledges (including pledges towards C19RM) against which adjustments of USD 1.0 billion were required. The pledge conversion

continues to progress with 94% of adjusted pledges signed into contribution agreements of which 93% has been received in cash (USD 16.3 billion).

As of 30 June 2023, 36 donors out of 77 (47%) have signed **Seventh Replenishment** contribution agreements with the Global Fund, including 23 public and 13 private donors, and almost USD 1,277 million has been received in cash.

### **Ongoing resource mobilization efforts**

The Global Fund will continue to pursue opportunities to identify and mobilize additional funding from both public and private sources. This will require the constant adaptation and the implementation of a compelling advocacy and communications strategy to demonstrate the immediate life-saving impact of Global Fund financing and its contributions to sustainable systems for health.

The Global Fund's role in the global health landscape, and the contribution it makes not only to fighting infectious diseases but also ensuring equity and access as key components of Universal Health Coverage (UHC) and in support of pandemic prevention, preparedness and response (PPR), needs to continuously be reaffirmed, explained and justified. This will require strong mobilization of the partnership, advocacy and positioning of the Global Fund at key upcoming international meetings such as the UN High-Level Meetings on TB, UHC and PPR in September 2023, this year's G7 and G20 processes and other relevant platforms. The Secretariat will also continue to work with partners to produce clear, compelling and evidence-based communications in support of the Global Fund partnership's role in delivering for the poorest and most vulnerable communities in the world, including in the most challenging operating environments, thereby establishing its unique and valuable role within the global health and development landscape.

Building on the lessons learned from the Seventh Replenishment, the donor engagement, communications, advocacy and positioning work over 2023-2024 will be key building blocks in preparation for the Eighth Replenishment in 2025.

## **2. Financial highlights**

Financial year 2023 is the third 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 2023 accordingly reflect the seasonality of the operational activities on grants and contributions. When compared with the financial position at 31 December 2022, the condensed interim statement of financial position shows a 3 % decrease in funds during the first six months of 2023. The asset base has decreased by 12 % which includes a USD 1.2 billion, 21 % decrease in operational cash held at the Trust Fund and commercial banks. On the other hand, the liabilities have decreased by twice over, by 24 %, driven by grant disbursements in the last year of the current implementation cycle wherein a majority of the grants will end by 31 December 2023. The disbursements are expected to increase in the second half of 2023.

As at the reporting date, the Global Fund holds USD 5.4 billion in current assets including USD 4.6 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 2.5 billion towards grants and operating expenses, the net current position stands at USD 2.9 billion.

The interim financial results reflect a typical ending operational cycle of grant implementation under the 2020-2022 allocation period. The new commitments for funding during the first six months of 2023 have reduced by approximately 8 % and the outstanding grant liability at 30 June 2023 has also reduced by 26 %. When compared with the grant expenditure incurred during the first six months of 2020, the third year of previous implementation period, the 2023 half-year grant expenditure shows a decrease of 2 %.

The revenue from donor contributions shows a decrease by 34% which is in line with the second year of the Seventh Replenishment. Encashments from regular donor contributions are largely in line with the underlying donor agreements.

Key progress on the following core financial components achieved during the first half year of 2023 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 2023 is the first year of the current three-year replenishment period, there are significant 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 2023, we report USD 19 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 as at 30 June 2023:

<i>Amount in USD millions</i>	<b>FX Before hedges</b>	<b>FX on Hedges</b>	<b>Net FX results</b>
<i>Accounting FX results (on-balance sheet)</i>	13	(32)	(19)
<i>Economic FX results (off-balance sheet)</i>	23	-	23
<b>Net FX results to 30 June 2023</b>	<b>36</b>	<b>(32)</b>	<b>4</b>
<i>Net FX results to 30 June 2022</i>	<b>(31)</b>	<b>16</b>	<b>(15)</b>

In the first half of 2023, financial markets trended differently from 2022. While central banks continued interest rate hikes, long-term rates remained stable and equity markets were on the recovery path.

In foreign exchange markets, the US dollar was broadly stable in the period under consideration. While the Global Fund's Foreign Exchange management framework in place successfully aims to reduce the impact of exchange rate fluctuations on the Global Fund's FX results, the global foreign exchange markets have an inherent volatility which can potentially negatively affect total foreign exchange results (including economic effects) in 2023.

In terms of the investment portfolio, the net investment result was a gain of USD 150 million in the first half of 2023 (2022: USD 115 million net loss). This resulted from positive investment performance for all asset classes in which the Global Fund is invested, covering cash, fixed income and equities.

## 2. Donor pledges and contributions

The net revenue recognized during the first six months of 2023 was lower compared to the first six months of 2022 at USD 1,349 million (2022: USD 2,031 million). The encashment of all outstanding contributions receivable is largely on track.

The contribution income of USD 1,349 million included:

- USD 1,316 million from sovereign donor governments (2022: USD 2,007 million);
- USD 12 million from Product (RED) (2022: USD 18 million); and
- USD 21 million from other non-governmental donors (2022: USD 6 million).

Government contributions during the first six months of 2023 include USD 75 million received towards the C19RM emergency response appeal (2022: USD 1,420 million).

## 3. Grant commitments and disbursements

The main elements of the Global Fund grant expenditure of USD 1,462 million (2022: USD 1,585 million) during the first half of 2023 included:

- USD 1,398 million as grant commitments to Principal Recipients for in-country and pooled procurement mechanism (PPM) activities (2022: USD 1,544 million);
- USD 67 million as Strategic Initiatives project expenses (2022: USD 41 million), and
- USD (3) million as Grants under recovery (2022: nil)

Key financial highlights for grant activities during the first semester of 2023 are outlined below:

- When measured at the respective allocation rates, 2023 grant expenses for the first half of 2023, including C19RM amounted to USD 1,404 million (2022 first semester: USD 1,561 million). This decrease versus the first semester of 2022 was expected given that 2023 was the third year of implementation for grants under the 2020-2022 allocation period, as well as a slowdown in C19RM activities in 2023 in the context of the ongoing re-investment shift of C19RM resources towards long term strategic evolving needs.
- HTM (including C19RM 2020): when measured at the respective allocation rates, actual grant disbursements for the first half of 2023 for the grant portfolio amounted to USD 1,866 million, of which USD 2 million was for previous cycles and USD 1,864 million for 2020-2022 cycle.
- C19RM 2021: when measured at the respective allocation rates, actual grant disbursements during the first semester of 2023 for the grant portfolio amounted to USD 369 million, of which USD 0.4 million was for previous cycles and USD 369 million for 2020-2022 cycle.

#### **4. Operating expenses**

At spot rate, during the first half-year of 2023, the Global Fund spent USD 182 million on Secretariat operating expenses (2022: USD 169 million), of which USD 19 million relates to C19RM Management and Operating cost (2022: USD 14 million). This represents a 8 % increase over the 2022 half-year.

At budget rate, actual expenditure incurred during the first six months of the year amounted to USD174.5 million of which USD 156 million relates to Secretariat operating expenses and USD 18 million relates to C19RM Management and Operating cost in 2023.

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

#### **5. Strategic Initiatives**

For the 2020-2022 allocation period, the total available envelope for Strategic Initiatives (SI) amounts to USD 321 million excluding the Emergency Fund (topped up to USD 92 million and integrated with the underlying grants), of which USD 321 million or 99 percent is approved by GAC.

As of 30 June 2023, the cumulative fund utilization of USD 201 million represents 63 % of the total envelope (excluding Emergency Fund/Private Sector/C19RM Funding).

In 2023, a new SI prioritization framework for SI optimization was endorsed by the Strategy Committee and allows the Secretariat to utilize an approach similar to country grant portfolio optimization. This allows the Secretariat to shift SI resources that are forecast to be underspent, including those that are contractually committed, to other areas within the SI portfolio where they can be fully utilized. This approach would not increase overall funding for SIs but would allow for additional flexibility to address emerging needs by providing additional funding to SIs where there is a demonstrated investment case.

#### **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 270 million as at 30 June 2023 (2022: USD 230 million). This included USD 254 million of Provident Fund investments measured at fair value and USD 16 million in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund constitution. In the first half of 2023, the year-to-date rate of return on Provident Fund investments is positive at 1.4 % (2022: (8.2) %) in Swiss francs (CHF). This performance is the result of positive returns on fixed income and equities compensated by the negative results on real estate investments.

The liability for employee benefit obligation was USD 266 million as at 30 June 2023 (2022: USD 244 million). This includes USD 269 million in employee benefit reserves (2022: 245 million) and USD 3 million as accumulated actuarial valuation gain (2022: USD 1 million gain).

# 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 18 September 2023.

# 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 (The Global Fund),  
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 2023 and the related condensed interim statements of income, comprehensive income, financial position, cash flows and changes in funds for the six-month period then ended, and selected explanatory notes ("the condensed 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 2023 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, 18 September 2023

Enclosure:

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

**Interim statement of income (unaudited)**

<b>For the six months ended 30 June</b>	<b>Notes</b>	<b>2023</b>	<b>2022</b>
In millions of USD			
<b>Operating activities</b>			
<b>Income</b>			
Contributions	4.1	1,349	2,031
<b>Expenditure</b>			
Grants	3.2	(1,462)	(1,585)
Operating expenses	6.1	(176)	(186)
<b>Total</b>		<b>(1,638)</b>	<b>(1,771)</b>
<b>Net operating activities</b>		<b>(289)</b>	<b>260</b>
<b>Financing and Investing Activities</b>			
Foreign exchange results, net	5.5	(19)	(70)
Financial income, net	5.6	150	(115)
Discounting on long-term financial positions		6	(64)
<b>Total</b>		<b>137</b>	<b>(249)</b>
<b>(Decrease)/ Increase in funds</b>		<b>(152)</b>	<b>11</b>

**Interim statement of comprehensive income (unaudited)**

<b>For the six months ended 30 June</b>	<b>2023</b>	<b>2022</b>
In millions of USD		
(Decrease)/ increase in funds	(152)	11
<b>Other comprehensive income</b>		
Re-measurement (loss)/ gain on defined benefit plan that will not be reclassified to the statement of income	(4)	32
<b>Total comprehensive (loss)/ gain</b>	<b>(156)</b>	<b>43</b>

## Interim statement of financial position (unaudited)

As at	<u>Notes</u>	<u>30.06.2023</u>	<u>31.12.2022</u>
In millions of USD			
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	147	135
Trust Fund	5.2	4,500	5,743
Contributions receivable	4.2	692	575
Derivative financial instruments at fair value	5.4	22	69
Other receivables	4.2	47	40
		<u>5,408</u>	<u>6,562</u>
<b>Non-current assets</b>			
Contributions receivable	4.2	1,541	1,429
Provident Fund investments	5.7	254	235
Tangible and intangible assets		37	42
		<u>1,832</u>	<u>1,706</u>
<b>Total Assets</b>		<b><u>7,240</u></b>	<b><u>8,268</u></b>
<b>Liabilities and Funds</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Grants payable	3.3	2,228	3,031
Derivative financial instruments at fair value	5.4	200	268
Other current liabilities		59	74
		<u>2,487</u>	<u>3,373</u>
<b>Non-current liabilities</b>			
Grants payable	3.3	9	12
Employee benefit liabilities		266	244
Lease liability		26	31
		<u>301</u>	<u>287</u>
<b>Total Liabilities</b>		<b><u>2,788</u></b>	<b><u>3,660</u></b>
<b>Funds</b>			
Temporarily restricted funds		51	50
Unrestricted funds		4,413	4,566
Remeasurement of defined benefit liability		(12)	(8)
<b>Total Funds</b>		<b><u>4,452</u></b>	<b><u>4,608</u></b>
<b>Total liabilities and funds</b>		<b><u>7,240</u></b>	<b><u>8,268</u></b>

## Interim statement of cash flows (unaudited)

For the six months ended 30 June

	Notes	2023	2022
In millions of USD			
<b>Operating activities</b>			
Cash received from donors		1,146	2,610
Grant disbursements		(2,281)	(2,426)
Payments for operating expenses		(177)	(166)
Gains realized on forward contracts settlements		102	108
Losses realized on forward contracts settlements		(155)	(51)
<b>Net cash flow (used in) / from operating activities</b>		<b>(1,365)</b>	<b>75</b>
<b>Investing activities</b>			
Financial income received, net	5.6	79	25
Purchase of Provident Fund investment		(8)	(11)
Purchase of tangible and intangible assets		(1)	(2)
Net cash flow from investing activities before Trust Fund movements		70	12
Net cash rebalancing between commercial banks and Trust Fund		1,314	(151)
<b>Net cash flow from / (used in) investing activities</b>		<b>1,384</b>	<b>(139)</b>
<b>Financing activities</b>			
Payment of lease liabilities		(5)	(5)
<b>Net cash flow used in financing activities</b>		<b>(5)</b>	<b>(5)</b>
Net increase/ (decrease) in cash and cash equivalents		<b>14</b>	<b>(69)</b>
<b>Cash and cash equivalents</b>			
- at beginning of the period	5.1	135	218
Effect of exchange rate changes on cash held in commercial bank and Trust Fund		(2)	-
<b>- at end of the period</b>	5.1	<b>147</b>	<b>149</b>

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	30.06.2023	30.06.2022
Amounts held in commercial banks	5.1	147	149
Amounts held in Trust Fund	5.2	4,500	4,190
<b>Total Operational cash balance</b>		<b>4,647</b>	<b>4,339</b>

## Interim statement of changes in funds (unaudited)

For the six months ended 30 June

In millions of USD

	Foundation capital <sup>1</sup>	Temporarily restricted funds	Unrestricted funds	Remeasure ment of defined liability	Total
<b>As at 1 January 2023</b>	-	50	4,566	(8)	4,608
(Decrease)/ increase in funds	-	1	(153)	-	(152)
Other comprehensive income		-	-	(4)	(4)
<b>At 30 June 2023</b>	-	51	4,413	(12)	4,452
<b>As at 1 January 2022</b>	-	66	3,159	(37)	3,188
Increase / (decrease) in funds	-	(19)	30	-	11
Other comprehensive income			-	32	32
<b>At 30 June 2022</b>	-	47	3,189	(5)	3,231

---

<sup>1</sup> 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.



# Index: Explanatory notes to condensed interim financial statements

## **Section 1: Activities and organisation**

## **Section 2: Basis of reporting**

## **Section 3: Grant activities**

Section 3.1: Contingent liability

Section 3.2: Grant expenditure

Section 3.3: Grants payable

## **Section 4: Donor activities**

Section 4.1: Contribution income /revenue recognition

Section 4.2: Contributions receivable

Section 4.3: Conditional contribution

## **Section 5: Management of funds**

Section 5.1: Cash and cash equivalents

Section 5.2: Trust Fund

Section 5.3: Foreign exchange exposures

Section 5.4: Foreign exchange risk management

Section 5.5: Foreign exchange results

Section 5.6: Financial income, net

Section 5.7: Provident Fund investments

## **Section 6: Operating activities**

Section 6.1: Operating expenses

# 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. The Agreement on the Privileges and Immunities of the Global Fund entered into force 17 April 2019.

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 2022, 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 18 September 2023.

### **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 2022.

A few standards and amendments to standards became effective 1 January 2023, but they did not have a material impact on the Global Fund's condensed interim financial statements.

### **Impact of significant global events**

Since the escalation of the conflict between Ukraine and Russia, the Global Fund has approved emergency funding for a total of USD 25 million to enable the continuity of HIV and TB prevention, testing and treatment services in Ukraine, in partnership with UNICEF as Principal Recipient. This was in addition to the USD 135.7 million in TB and HIV grants and catalytic matching funds over the 2020-2022 period and USD 69.4 million for the country's COVID-19 response, including USD 14.9 million for COVID-19 portfolio optimization. As the Global Fund does not have assets in these countries, Global Fund's assessment noted no significant impact on the 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 2023

<i>All amounts in USD million</i>		Carrying amount		
<b>Global Fund financial position</b>	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	147	-
Trust Fund asset	5.2	4,500	-	-
Contributions receivable	4.2	-	2,233	-
Derivative financial instruments measured at fair value, net liability	5.4	(178)	-	-
Provident Fund Investments	5.7	254	-	-
Other receivables*1	4.2	-	38	-
Grants payable	3.3	-	-	2,237
Lease liability		-	-	34
Other liabilities*2		-	-	1

### As at 31 December 2022

<i>All amounts in USD million</i>		Carrying amount		
<b>Global Fund financial position</b>	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	135	-
Trust Fund asset	5.2	5,743	-	-
Contributions receivable	4.2	-	2,004	-
Derivative financial instruments measured at fair value, net liability	5.4	(199)	-	-
Provident Fund Investments	5.7	235	-	-
Other receivables*1	4.2	-	29	-
Grants payable	3.3	-	-	3,043
Lease liability		-	-	38
Other liabilities*2		-	-	10

\*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.

During 2023, the Global Fund has approved USD 144 million (2022: 666 million) in grant funding to 26 countries to support their responses to COVID-19 in line with the COVID-19 Response Mechanism.

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>30.06.2023</u>	<u>31.12.2022</u>
<b>By category</b>		
Grants approved but not signed	860	422
Grants signed but not committed	3,396	4,671
<b>Total</b>	<b>4,256</b>	<b>5,093</b>

#### 3.2 Grant expenditure

The following table summarizes the grant expenditures:

For the six months ended 30 June	<u>2023</u>	<u>2022</u>
<b>By category</b>		
Grants on behalf of Principal Recipients	768	771
Grants for PPM orders	630	773
Total grants for Principal Recipients	1,398	1,544
Grants under recovery	(3)	-
Strategic Initiatives	67	41
<b>Total</b>	<b>1,462</b>	<b>1,585</b>

### 3.3 Grants payable

The following table summarizes grants payable at:

	<u>30.06.2023</u>	<u>31.12.2022</u>
<b>By grant category</b>		
Grants on behalf of Principal Recipients within one year	2,209	3,022
Strategic Initiatives	19	9
Total grants payable within one year	2,228	3,031
Grants on behalf of Principal Recipients after one year	9	12
<b>Total grants payable</b>	<u>2,237</u>	<u>3,043</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. Revenue recognition is net of discount for long-term encashments at the rate prevailing on the dates of the contribution 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>2023</u>	<u>2022</u>
<b>By donor category</b>		
Governments	1,316	2,007
Product (RED)	12	18
Others	<u>21</u>	<u>6</u>
<b>Total</b>	<b><u>1,349</u></b>	<b><u>2,031</u></b>

Government contributions for 2023 includes USD 75 million received towards the C19RM emergency response appeal (2022: USD 1,420 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>30.06.2023</u>	<u>31.12.2022</u>
Contributions receivable within one year	692	575
Contributions receivable after one year	<u>1,541</u>	<u>1,429</u>
<b>Total contributions receivable</b>	<b><u>2,233</u></b>	<b><u>2,004</u></b>
Receivable within one year	692	575
Receivable within two years	644	466
Receivable after two years	<u>1,106</u>	<u>1,152</u>
Gross contributions receivable	2,442	2,193
Discounted	<u>(209)</u>	<u>(189)</u>
<b>Net present value of contributions receivable</b>	<b><u>2,233</u></b>	<b><u>2,004</u></b>

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 5 million of expected credit losses (2022: USD 34 million).

### Other Receivables

The following table summarizes other receivables:

As at	<u>30.06.2023</u>	<u>31.12.2022</u>
Grants under recovery, net	22	18
Working capital advance for pooled procurement mechanisms	7	2
Security deposit	9	9
Prepaid expenses for Opex and Strategic Initiatives	<u>9</u>	<u>11</u>
<b>Total</b>	<b><u>47</u></b>	<b><u>40</u></b>

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. It includes expected credit losses of USD 15 million (2022: USD 13 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. As at 30 June 2023, there were no contribution agreements with uncertainty associated with the future encashments for which revenue would be recognized in the financial year in which the related performance obligations are satisfactorily fulfilled (2022: USD 289 million).

## **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 2022 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 2022. There are also no Level 3 financial instruments included in the Trust Fund's assets as at 30 June 2023 (2022: NIL).

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

<i>At 30 June 2023</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Government and agency obligations</i>	1,211	1,710	-	2,921
<i>Asset and mortgage-backed securities</i>		588	-	588
<i>Equity</i>	206	-	-	206
<i>Time deposits</i>	178	566	-	744
<i>Repurchase/ resale agreements</i>		(9)	-	(9)
<i>Derivatives, net</i>	1	57	-	58
<b><i>Sub-total:</i></b>	<b>1,596</b>	<b>2,912</b>	<b>-</b>	<b>4,508</b>
<i>Cash, receivables &amp; payables</i>				(8)
<b><i>Total</i></b>	<b>1,596</b>	<b>2,912</b>	<b>-</b>	<b>4,500</b>
<i>At 31 December 2022</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Government and agency obligations</i>	1,943	1,968	-	3,911
<i>Asset and mortgage-backed securities</i>	-	493	-	493
<i>Equity</i>	196	-	-	196
<i>Time deposits</i>	290	884	-	1,174
<i>Repurchase/ resale agreements</i>	-	(33)	-	(33)
<i>Derivatives, net</i>	1	(6)	-	(5)
<b><i>Sub-total:</i></b>	<b>2,430</b>	<b>3,306</b>	<b>-</b>	<b>5,736</b>
<i>Cash, receivables &amp; payables</i>				7
<b><i>Total</i></b>	<b>2,430</b>	<b>3,306</b>	<b>-</b>	<b>5,743</b>

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

<b>As at</b>	<u><b>30.06.2023</b></u>	<u><b>31.12.2022</b></u>
<b>Financial instruments</b>		
<i>(asset holding in percent)</i>		
Government and agency obligations	65	68
Time deposits and money-backed securities	16	20
Asset and mortgage-backed securities	13	9
Equity	5	3
Derivatives, net	1	-
<b><i>Total</i></b>	<b>100</b>	<b>100</b>

### 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:

	<b>30.06.2023</b>	<b>31.12.2022</b>	<b>% FX fluctuation</b>	<b>2023 Average Fx Rates</b>	<b>2022 Average Fx Rates</b>
AUD	0.6625	0.6814	(3)	0.6712	0.6956
CAD	0.7542	0.7380	2	0.7405	0.7678
CHF	1.116	1.0815	3	1.0932	1.0524
EUR	1.0859	1.0704	1	1.0799	1.0586
GBP	1.2605	1.2098	4	1.2346	1.2413
NOK	0.0927	0.1021	(9)	0.0958	0.0996
SEK	0.0920	0.0959	(4)	0.0950	0.1049

[The Global Fund sources its corporate FX rates from Refinitiv]

### 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 2023, 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 2022 annual financial statements.

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

<b>BY SETTLEMENT DATE</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
Assets to be settled within 12 months	22	69
Liabilities to be settled within 12 months	(200)	(268)
<b>Net asset for derivative financial instruments at fair value</b>	<b>(178)</b>	<b>(199)</b>

#### At 30 June 2023

<b>Currency (Level 2)</b>	<b>Notional value in millions</b>	<b>Forward contracts at fair value in USD millions</b>
AUD	242	-
CAD	1,209	(18)
CHF	(332)	8
DKK	375	(3)
EUR	624	(123)
GBP	888	(46)
NOK	2,000	4
SEK	2,700	-
<b>Net asset for derivative financial instruments at fair value</b>		<b>(178)</b>

#### At 31 December 2022

<b>Currency (Level 2)</b>	<b>Notional value in millions</b>	<b>Forward contracts at fair value in USD millions</b>
AUD	242	(6)
CAD	1,310	0
CHF	(455)	19
DKK	375	(5)
EUR	1,106	(149)
GBP	998	(34)
NOK	2,000	(10)
SEK	2,700	(13)
<b>Net asset for derivative financial instruments at fair value</b>		<b>(198)</b>

## 5.5 Foreign exchange results

The following table summarizes foreign exchange results:

For the six months ended 30 June	<u>2023</u>	<u>2022</u>
<b>By net position</b>		
Foreign exchange gain/ (losses) before derivative instruments	13	(86)
Fair valuation (loss)/ gains on derivative financial instruments	(32)	16
<b>Net foreign exchange (loss)</b>	<u>(19)</u>	<u>(70)</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>2023</u>	<u>2022</u>
Trust Fund gain/ (loss), net	152	(114)
Trustee fees	(2)	(1)
<b>Total</b>	<u>150</u>	<u>(115)</u>

As of 30 June 2023, the Trust Fund gain/(loss) included an unrealized gain of USD 71 million (2022: unrealized loss USD 141 million).

## 5.7 Provident Fund investments

The following table provides the composition of Provident Fund investments:

	<u>30.06.2023</u>	<u>31.12.2022</u>
<i>Equity</i>	61	52
<i>Bonds</i>	139	129
<i>Real estate</i>	54	54
<b>Total</b>	<u>254</u>	<u>235</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>2023</u>	<u>2022</u>
Workforce	116	105
External assurance	19	17
Professional fees	20	19
Others	<u>27</u>	<u>27</u>
<b>Total Secretariat expenses</b>	<b><u>182</u></b>	<b><u>168</u></b>
Provident Fund valuation	<u>(6)</u>	<u>18</u>
<b>Total</b>	<b><u>176</u></b>	<b><u>186</u></b>

# 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