
Financial Performance Update

44TH BOARD MEETING

11-12 NOVEMBER 2020, *Virtual*

GF/B44/13

Executive Summary: maximize funds utilization through agile optimization

USES OF FUNDS

- **Grant Financials:**
 - 5th replenishment: forecasted disbursement of **US\$10.91Bn against US\$11.21Bn funds under management or 97% Allocation Utilization** for iKPI purposes. Level consistent with the projected in-country absorption target of at least 85% (within a margin of error of +/- 4-5% due to Covid-19 residual risk).
 - 6th replenishment: forecasted disbursement of **US\$12.21Bn against US\$12.66Bn total funds under management, or 96% Allocation Utilization for iKPI purposes**, resulting in **full optimization** after deduction of estimated CB of 5th Repl. US\$ 450M.
- **Strategic Initiatives:** Latest forecast amounts to **US\$196 M** increasing fund utilization to **over 94% against US\$ 209M total envelope**.
- **OPEX:** Latest forecast on OPEX 2020 landing is anticipated at **\$297.1M** representing **97% of OPEX utilization** or US\$ -7.9M mainly due to Covid-19 disruption on Secretariat activities compensated by proactive reinvestment decisions on enablers and mitigation responses. 2020 underspend will need to be carried over in 2021 to enable delivery of strategic targets.

SOURCES OF FUNDS

- **Pledges and contribution:**
 - 5th replenishment: over the course of the 5th replenishment, adjusted pledges increased by US\$404M to a total of US\$ 11,307M.
 - 6th replenishment: since the presentation of Sources of Funds to the Board in November 2019, adjusted pledges increased by a net US\$ 30M, to a total of US\$ 13,284M.
- **Foreign exchange:** Net FX effects amount to US\$ 38M for the first half of 2020.

ASSETS AND LIABILITIES MANAGEMENT:

- **ALM:** Overall, the ALM shows an excess balance of USD 77m across the 5th and 6th replenishments.

Latest Financial Performance Figures as of June 2020

Sources of Funds

Pledges & Contributions

5th replenishment:

- over the course of the 5th replenishment, adjusted pledges increased by US\$404M to a total of US\$ 11,307M. Of this amount, all has been received in cash.

6th replenishment :

- since the presentation of Sources of Funds to the Board in November 2019, adjusted pledges increased by a net US\$ 30M, to a total of US\$ 13,284M.

Other Sources of Funds

6th replenishment :

- (First half of 2020): Net FX effects amount to US\$ 38M for the first half of 2020, while investment income is US\$ 45m in the same period.

5th replenishment :

- (2017-2019): Net FX effects amount to US\$ 268M and investment income was US\$ 269M, in the 3 years to end of December 2019.

Uses of Funds

Grants (Focus on 5th Replenishment)

✓ Allocation Utilization: measured by forecasted disbursement over funds under management

- US\$ 7.9Bn of actual cumulative disbursement as of June 2020 (US\$ 6.0 Bn for grants ending in 2020).
- Forecasted disbursement of US\$10.91Bn against US\$11.21Bn funds under management or 97% Allocation Utilization.
- Out of US\$500M initial funding approved by the Board for C19RM, US\$197M (\$195M for 5th and 2M\$ for 6th) has been awarded as of 30 June 2020 and included in the latest forecast.

✓ In-Country Absorption: measured by expenditures over grant budget

- As of end 2019, 75% in-country absorption for all grants and 79% in-country absorption for grants ending in 2020 (KPI Target 75%).
- With the proactive management of the portfolio by the secretariat, predictive analysis shows a projected in-country absorption of 85%..
 - Portfolio Optimization totaling US\$ 755M up to June 2020 enabled optimal and timely management of the portfolio, resulting in the significant improvement of in-country absorption.
 - Negative impact of Covid-19 on the absorption of regular grant activities has been mitigated due to proactive management of C19RM totaling US\$ 500M, 5% grant flexibilities and the Allocation Utilization Period extension of 180-days.
 - A residual risk of Covid-19 remains in the translation of disbursement into in-country expenditures, with potential impact of +/- 4-5% on in-country absorption.

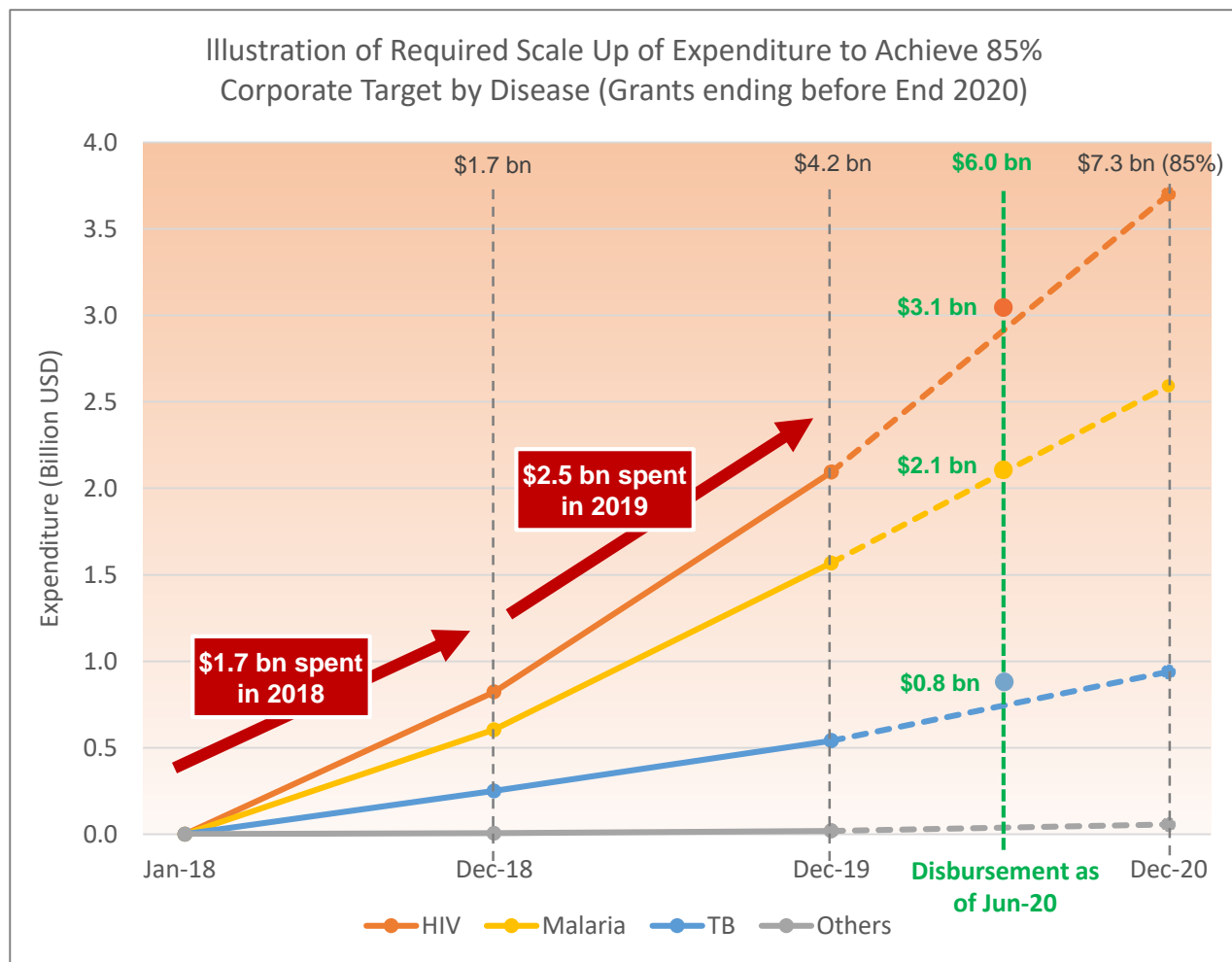
Strategic Initiatives (SI)

- US\$ 156M or 75% of cumulated fund utilization at end of June 2020 or an increase in Actuals by 27% since December 2019.
- Latest forecast amounts to US\$196M or 94% fund utilization. In order to enable utilization of the SI envelope, US\$ 16M has been reallocated across SIs, and additional 3M has been proposed.

Operating Expenditures (OPEX)

- As of 30 June 2020, OPEX budget execution 92% (US\$ \$132.9M actuals) has been slowed down by Covid-19 outbreak, with disruptions experienced on GF operations (travel restrictions; delays in recruitment and staff on-boarding, reduced GHC facility management...)
- The latest forecast on OPEX 2020 landing is anticipated at US\$ 297.1M. The Secretariat has proactively reinvested in IT enablers, security reinforcements, as well as virtual conferencing capabilities to ensure business continuity. Additional temporary resources have also been integrated to fill identified gaps across the organization or support mitigation responses such as 5% grant-flexibilities, development of C19RM, additional TRP waves for grant making and resource mobilization activities.

Cumulative In Country Absorption of 79% at end of 2019 2019, showing an acceleration of expenditure by +~50% (i.e. US\$ 1.7B in 2018 vs US\$ 2.5B in 2019) - US\$3.1Bn remains to be executed in 2020

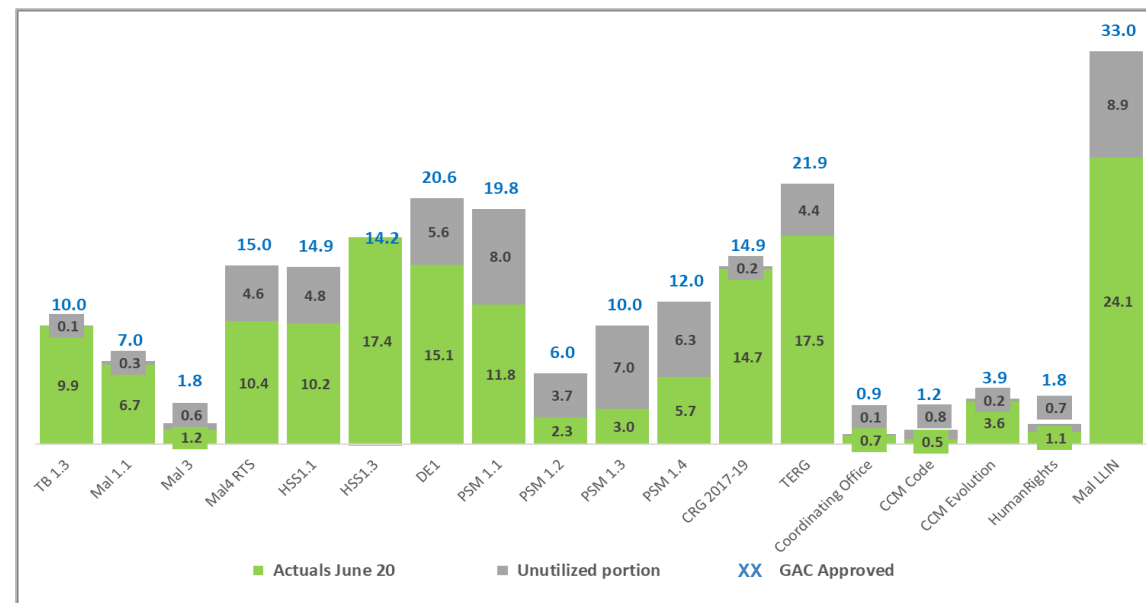
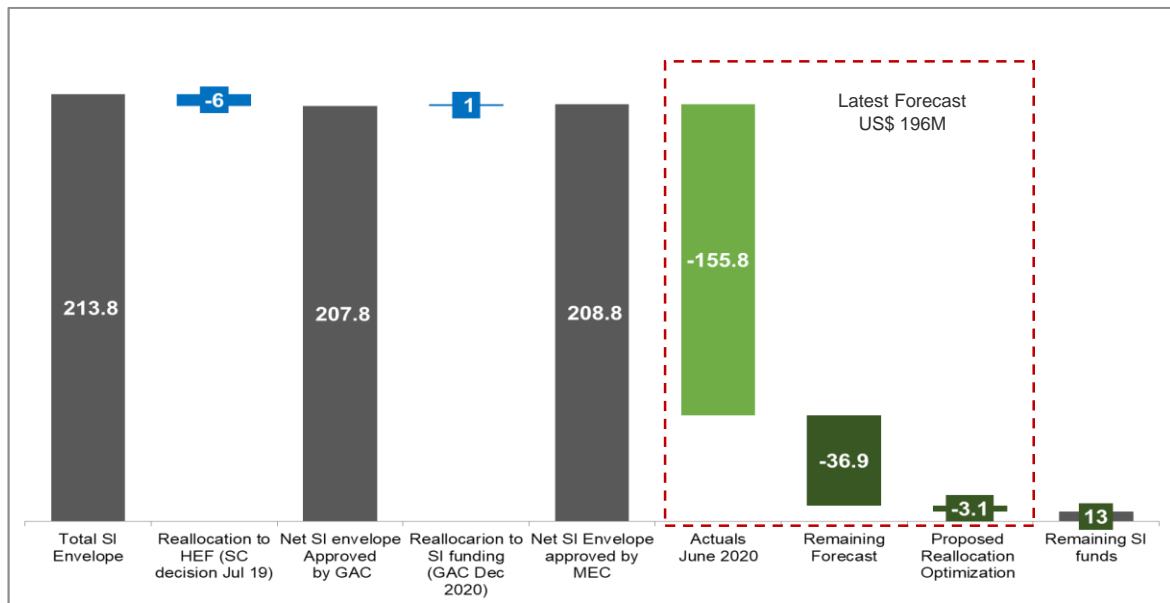


Focus on grants ending by 31st December 2020:

- Representing 73% (i.e. US\$ 8.5Bn) of portfolio grant budget of US\$ 11.6Bn.
- US\$ 7.3 Bn cumulative expenditures thus required to **achieve the 85%** target for grants ending in 2020; (vs KPI – 75%, previous cycle – 78%) - US\$3.1Bn yet to be spent.
- Actual absorption as at Dec. 2019 (PUDR data) is 79% with expenditure of US\$ 4.2 Bn against a budget of US\$ 5.3Bn (for all grants: 75%) - **showing significant acceleration during 2019.**
- Cumulative **\$6.0 Bn Disbursement as of June 2020, illustrating the overall on-track progress on the disbursement**, enabled by Portfolio Optimization, C19RM, and COVID Flexibility, and effective monitoring of disbursement by the secretariat.
- Due to the extension of the PU period to accommodate C19RM adaptation and grant-making for the next cycle, only 2 PUs for June 2020 period have been received as of 31st August, **limiting visibility on the transformation of disbursement to in-country expenditure.**
- **The Secretariat will proactively monitor and provide update on in-country expenditure over the next 4-6 months.**

Significant improvement in SI funds utilization to 75% at end of June 2020

- F2 is aligned with F1 and in line with 90% Absorption target



Report as end of June 2020:

- Following an initial transfer of US\$ 6M of SI funding to Emergency Fund approved by Strategy Committee in July 2019, an additional repurposing of US\$ 1M from Matching Funds to SI funding has been approved by GAC in December 2019. Thus, the total available envelope for SI remains at US\$ 209 million with 100% of the envelope approved through budget review by GAC.
- US\$ 156M or 75% of cumulated fund utilization** at end of June 2020 or an increase in Actuals by 27% since December 2019 is mostly driven by implementation acceleration on SI New LLINs, SI HSS1.3, SI Data System and SI TERG programs. Most Strategic Initiatives have less than 6 months remaining for implementation.

Latest forecast:

- US\$ 196M currently forecasted** to be utilized by the end of 2020 including a reallocation across SI Programs of **US\$ 3M**. Reallocation across Initiatives is used to maintain the level of funds utilization in Strategic initiatives. As some Initiatives Budget are showing lower level of absorption, underspend are used for reinvestment needs for SI PMO, GMD Multi-country and Human Rights.

2020 OPEX – F2 landing is anticipated at \$297.1 M representing OPEX utilization ~97% and at least \$8M available for 2021

Reporting by Nature				
	F2	Budget	Variances	
	Full Year 2020	Full Year 2020 Budget	2020 F2 vs Budget	
	kUSD	kUSD	kUSD	%
LFA costs	45,510	48,300	(2,790)	(5.8%)
CCM Costs	9,511	9,500	11	0.1%
Costs Secretariat and OIG	237,297	243,153	(5,857)	(2.4%)
Staff	149,846	158,812	(8,966)	(5.6%)
Professional fees	49,805	33,028	16,777	50.8%
Travel	4,883	16,866	(11,983)	(71.0%)
Meetings	798	3,677	(2,879)	(78.3%)
Communications	2,534	1,306	1,229	94.1%
Office Infrastructure	22,514	21,528	986	4.6%
Board Constituency	1,600	1,600	0	0.0%
Depreciation	5,466	6,336	(870)	(13.7%)
External Co-Funding	(150)	0	(150)	
Total Opex before non-recurring	292,318	300,953	(8,635)	(2.9%)
Non-recurring costs	4,816	4,047	770	19.0%
Total operating costs	297,135	305,000	(7,865)	(2.6%)

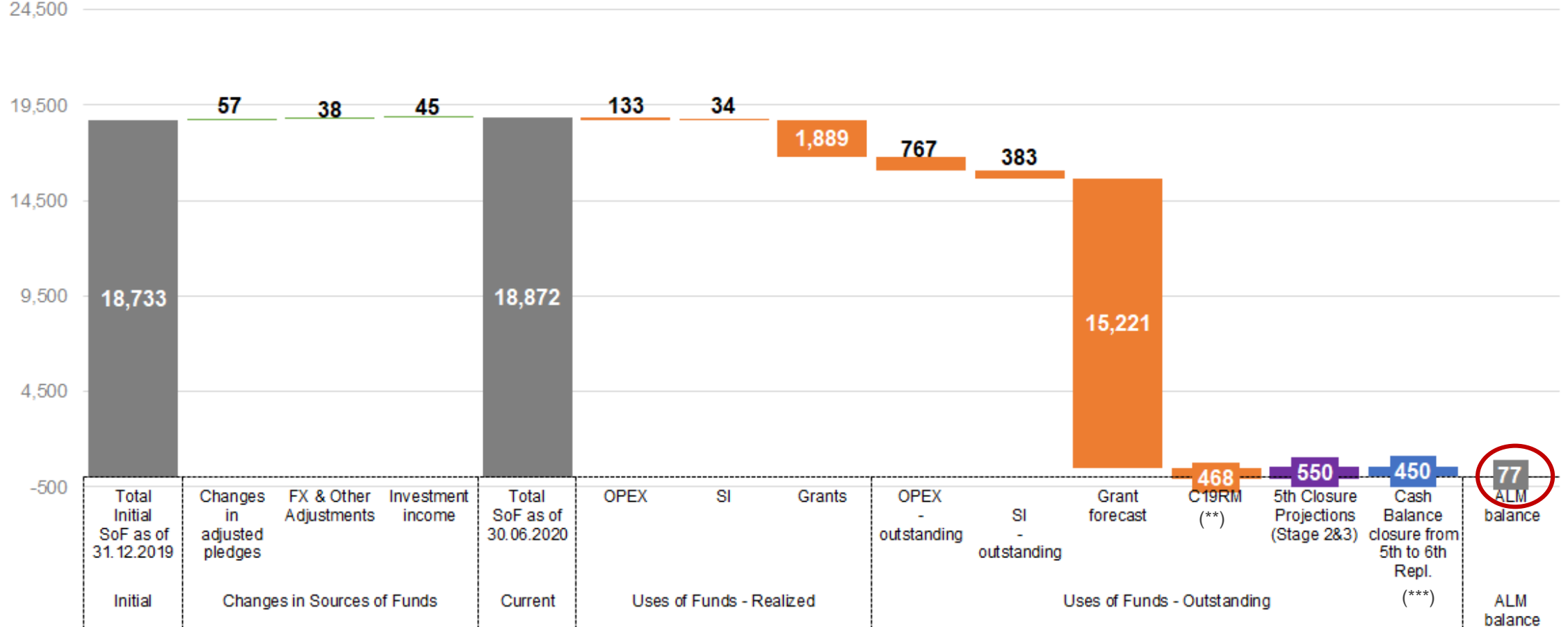
Reporting by Division				
	F2	Budget	Variances	
	Full Year 2020	Full Year 2020 Budget	2020 F2 vs Budget	
	kUSD	kUSD	kUSD	%
General Management	10,178	9,227	951	10.3%
Office of ED/DED	10,178	9,227	951	10.3%
Operations	162,026	169,059	(7,032)	(4.2%)
External Relations and Partnerships	10,907	11,465	(558)	(4.9%)
Grant Management	121,273	128,508	(7,235)	(5.6%)
LFA	44,300	46,300	(2,000)	(4.3%)
CCM	9,511	9,500	11	0.1%
Opex	67,461	72,708	(5,247)	(7.2%)
Strategy Investment & Impact	29,847	29,085	761	2.6%
Support Functions	103,080	99,747	3,333	3.3%
Communications	6,901	6,555	346	5.3%
Human Resources	7,847	8,142	(295)	(3.6%)
Legal & Compliance	4,617	4,931	(314)	(6.4%)
Risk Management	3,318	4,314	(997)	(23.1%)
Finance & Administration	27,919	31,275	(3,355)	(10.7%)
Information Technology	40,163	29,218	10,945	37.5%
Supply Operations	12,316	15,312	(2,997)	(19.6%)
OIG	11,517	15,240	(3,723)	(24.4%)
Office of the Board Affairs	5,517	7,681	(2,164)	(28.2%)
Total Opex before non-recurring	292,318	300,953	(8,635)	(2.9%)
Non-recurring costs	4,816	4,047	770	19.0%
Total operating costs	297,135	305,000	(7,865)	(2.6%)

Reporting by division reflects organizational structure prevailing at time of AFC/ Board approval in October/November 2019. Subsequent organizational changes have been reflected in 2021 OPEX Budget proposal.

ALM shows a positive balance of US\$ +77m as of End of June 2020

ALM balances – up to and including 6th replenishment (*)

Amounts in US\$ millions at reference rate, actuals to 30 June 2020



(*) All flows are since end of December 2019, net of refunds

(**) C19RM is \$500m original amount plus additional funding of \$165m, minus \$197m awarded and now included in the grant forecast.

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