The Global Fund

Annual Financial Report 2023

Contents

Cover: The Global Fund/ Vincent Becker

Management Report

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A clean audit on an IFRS balance sheet of USD 9 billion with an additional USD 11 billion in contingent liabilities reflects mature accounting and financial management processes and framework at the Global Fund. The high quality of audit assurance enables the Secretariat to build much-needed donor confidence in the Global Fund implementation framework as we get ready for the Eight Replenishment in 2025.

The Global Fund/ Atul Loke/ Panos

Year under review

Amid multiple and competing priorities that defined 2023, the Global Fund approved USD 9.2 billion for 152 grants across 70 countries to continue lifesaving work in the fight against HIV, tuberculosis (TB) and malaria while building sustainable systems for health. Those investments cover the 2024-2026 period. The remaining investments – up to USD 4 billion of allocation funds – are on course for approval in the coming months.

In addition to the core grants, the Global Fund continues to support countries to reinvest funds from the COVID-19 Response Mechanism (C19RM) to strengthen health and community systems and build better pandemic preparedness. This includes over USD 2 billion in investments in priority interventions for medical oxygen, community systems and community health workers, supply chain, laboratories, surveillance, data systems and interoperability, and waste management.

In 2023, the Secretariat continued to actively engage with countries and technical partners to remove barriers to the implementation of our programs. A number of strategic and tactical measures were instituted to achieve greater value for the investments we make. Amongst the key institutional achievements are:

- Ongoing efforts to reduce the prices of lifesaving treatments leveraging the consolidated purchasing power of the Global Fund partnership. One of the important success stories is a substantial reduction in the price of first-line HIV treatment (TLD) to below USD 45 a year.
- New Memorandum of Understanding between the Global Fund and the World Bank on working together to strengthen health and community systems in countries of the Global South. The goal is to support more efficient, effective, and sustainable financing to improve health outcomes in the face of climate change.
- A new Global Fund Revolving Facility aiming to increase affordable access to public health innovations. This new mechanism will increase access to more effective mosquito nets to prevent malaria.
- New private sector partnerships accelerating the use of artificial intelligence (AI) in improving the speed, efficiency, and accuracy of diagnosing TB.
- USD 38 million was allocated to seven countries in emergency funds in response to disruptions caused by climate and geopolitical factors.

The 2023 Annual Financial Report provides an overview of the Global Fund's sound financial results. As of December 2023, operating assets exceeded operating liabilities by USD 6.1 billion, which is an increase of 32% over 2022. Furthermore, approximately 70% of the Grant Cycle 6 implementation period grants in value terms ended in 2023. Consequently, the 2023 grant expenditure and disbursement reduces by 2% and 4%, respectively over 2022. However, when compared with Grant Cycle 5, 2023 grant expenditure, including C19RM funding, shows an increase of 9%. The strong market movements during 2023 resulted in a net investment income of USD 280 million – yielding an annual rate of return of 6.4%, on the Trust Fund assets managed by the World Bank. When measured at budget rate, operating expenses illustrate optimal budget utilization of 99% for the year 2023, reaching USD 337 million. This is the highest level achieved in the history of the Global Fund. This level of operating expenditure utilization also illustrates the limited flexibility available to fund emerging needs.

From the statutory audit perspective, the external auditor issued an unqualified opinion for the 2023 audited annual financial statements, indicating full compliance with the International Financial Reporting Standards (IFRS). A clean audit on an IFRS balance sheet of USD 9 billion with an additional USD 11 billion in contingent liabilities reflects mature accounting and financial management processes and framework at the Global Fund. The high quality of audit assurance enables the Secretariat to build much-needed donor confidence in the Global Fund implementation framework as we get ready for the Eight Replenishment in 2025.

Looking forward, the Global Fund will accelerate the implementation of its Public Financial Management (PFM) strategy, which envisions a progressive and scalable approach tailored to country contexts for sustainability and aid effectiveness. PFM promotes increased use of country systems for grant management. We are currently leveraging PFM in some country contexts where there is high maturity in PFM governance and independence of the supreme audit institution. The accelerated adoption of PFM will be facilitated by Global Fund collaboration with partners (including the World Bank, Gavi, the Vaccine Alliance, AFROSAI-E (the English language subgroup of AFROSAI, the African branch of the International Organisation of Supreme Audit Institutions), CREFIAF (the African Sub-Saharan Organization of French-Speaking Supreme Audit Institutions,) among others. We will seek to develop targeted and inclusive interventions systematically built into the Global Fund grants to unify planning, budgeting, and reporting processes across the health sector partners. We are increasingly leveraging Supreme Audit Institutions to provide assurance and capacity building as an effective assurance provider in the Global Fund-supported grants. Our cross-sectoral partnerships with other stakeholders are a critical component in driving the progressive adoption of PFM as part of the levers for sustainability[1].

We believe the integrated approach toward sustainable investments in building a strong financial management culture and discipline both at the Secretariat level and with our implementing partners will accelerate the Global Fund's mission to end AIDS, TB and malaria as public health threats.

Adda Faye
Chief Financial Officer

Peter Sands
Executive Director

1 The sustainability approach will enable integration of One Plan, One Budget, and One Report in the strategic orientation of Global Fund grants in support of the Lusaka Agenda as appropriate

Letter from the Chair and Vice-Chair of the Board

The 2023 Annual Financial Report provides the Global Fund's financial statements, which show how our partnership's investments continue to achieve progress in the fight against HIV, Tuberculosis (TB) and malaria, build systems to fight other diseases while preparing the world for future pandemics.

In 2023, our partnership accelerated momentum in the fight against HIV, TB and malaria following the setbacks from the COVID-19 pandemic. Thanks to the tireless efforts of communities, governments and partners, interventions to fight HIV, TB and malaria have recovered strongly. Through our COVID-19 Response Mechanism (C19RM), the Global Fund partnership played a critical role in supporting countries to respond to COVID-19 and mitigate its impact on HIV, TB and malaria programs. With the waning of COVID-19, these investments are now helping countries reinforce their systems for health to be able to respond more effectively to infectious diseases and strengthen global capacity to prepare and respond to future pandemics. In 2023, we accelerated our investments with an allocation of approved USD 9.2 billion and continued to support countries to reinvest over USD 2 billion from C19RM in health systems strengthening and pandemic preparedness.

The financial health of the Global Fund remains robust, with our 2023 audited annual financial statements being fully compliant with the International Financial Reporting Standards. The Board will continue to rely on the support of all Board Members, the guidance of the Audit and Finance Committee and the valuable input from diverse members of staff in our effort to see that we manage the investments and the risks involved to achieve the best possible impact in the fight against diseases.

We thank Peter Sands, the Global Fund's Executive Director, Adda Faye, the Chief Financial Officer, the management, and the whole Secretariat team for making prudent financial management decisions and delivering impactful investments. We also commend them for managing a seamless allocation of the 2024-2026 grants. These investments will continue to help our partnership in making sure that we maximize the impact of every dollar we invest. By working together, we will end these diseases as public health threats and create an equitable future for all.

Sincerely,

Lady Roslyn Morauta
Chair of the Board

Bience Gawanas
Vice-Chair of the Board

Overview Financial Results

(in millions of USD including C19 related activities)

Statement of activity	Ref	2023	2022	2021	Total
Contributions (without discounting)		6,346	6,970	3,928	17,244
Grant expenditure (without discounting)		(4,454)	(4,576)	(6,737)	(15,767)
Strategic Initiatives	4	(162)	(106)	(51)	(319)
Operating expenses	3	(400)	(374)	(336)	(1,110)
Provident Fund valuation as per Note 6.1		10	(25)	11	N.A
Foreign exchange result, net		10	(298)	27	(261)
Financial income, net	5	280	(74)	74	280
Discounting of long-term positions		7	(126)	(28)	(147)
Loss on actuarial valuation of defined benefit obligation towards employee benefits		(36)	29	(2)	N.A
Total comprehensive income for the year		**1,601**	**1,420**	**(3,114)**	**N.A**

Statement of financial position					
Cash and cash equivalent, including Trust Fund assets	7	5,060	5,878	4,398	N.A
Contributions receivable		3,803	2,004	2,429	N.A
Other assets		401	386	391	N.A
Grants payable		2,521	3,043	3,655	N.A
Other liabilities		534	617	375	N.A
Funds		6,209	4,608	3,188	N.A

Statement of cash flows					
Cash receipts from donors	1	4,613	7,142	5,754	17,509
Grants disbursed		(5,121)	(5,279)	(5,150)	(15,550)
Grants disbursed to Principal Recipients & 3rd parties (incl. in line above)	*2*	*(5,006)*	*(5,177)*	*(5,078)*	*(15,261)*
Cash paid for other operating activities		(371)	(350)	(297)	1,018
Cash on settlement of derivative financial instruments		(194)	71	(193)	(316)
Cash from/ (used in) investing activities		982	(1,663)	63	N.A
Cash paid for lease liability		(8)	(7)	(8)	(22)
(Decrease)/ increase in operational cash position including cash at commercial banks and Trust Fund		**(98)**	**(86)**	**168**	**N.A**
FX gain/ (loss) on cash		6	3	(3)	N.A

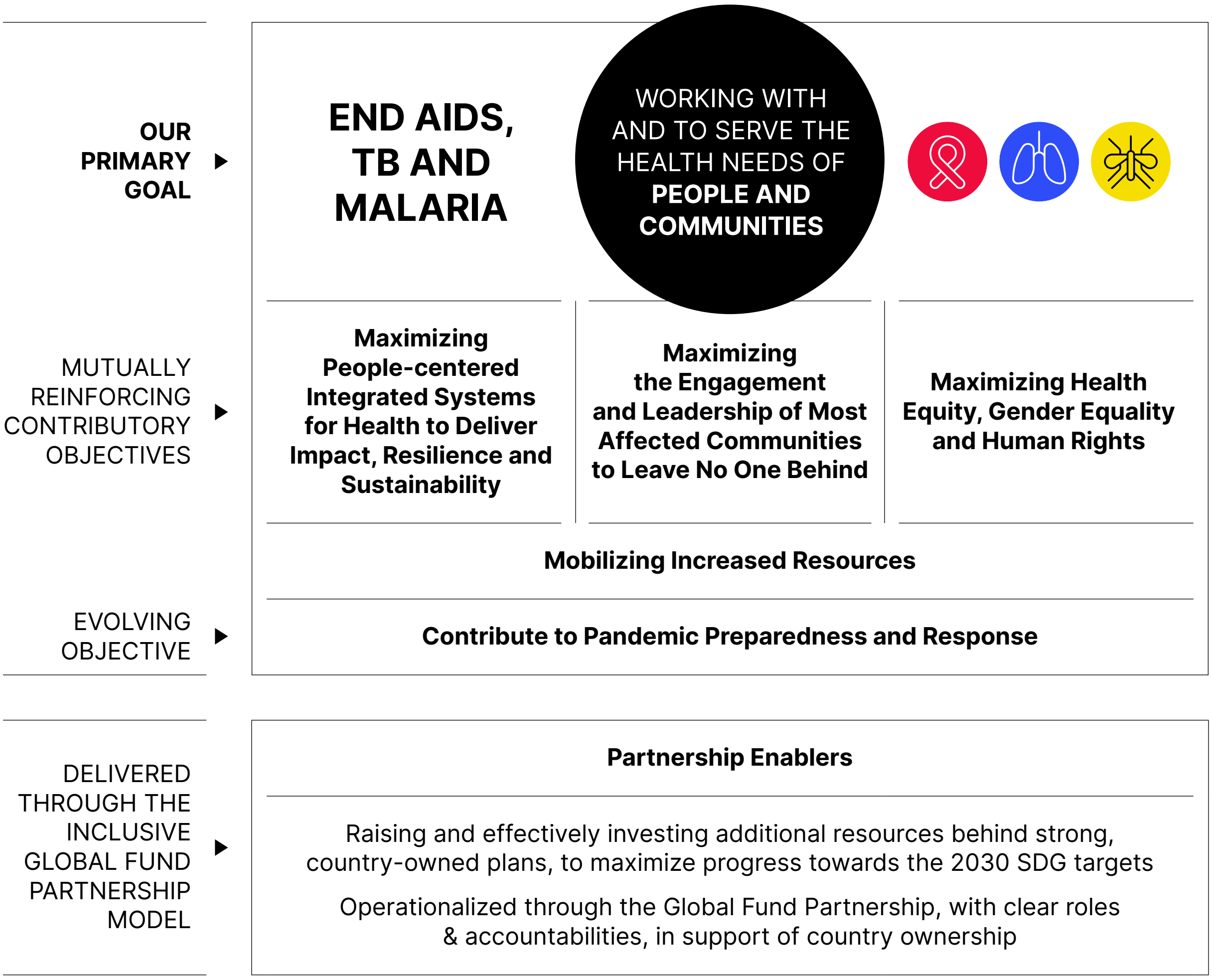
Other key information					
Grant contingent liability *(in millions of USD)*		11,103	5,093	9,044	N.A
Net ALM FX results *(in millions of USD)*	6	(17)	(19)	14	(22)
Number of active grants		281	306	413	N.A
Number of employees		1,140	1,075	982	N.A

Organizational Background

(a) Vision, Mission and Strategy

The Global Fund is a partnership organization designed to accelerate the end of HIV, tuberculosis and malaria as epidemics. As a partnership between governments, civil society, the private sector and people affected by the diseases, the Global Fund mobilizes and invests more than USD 5 billion a year to support programs run by local experts in more than 100 countries to defeat HIV, TB and malaria and ensure a healthier, safer, more equitable future for all. By challenging barriers and embracing innovative approaches, we are working together to better serve people affected by the diseases.

Global Fund Strategy (2023-2028):
Fighting Pandemics and Building a Healthier and More Equitable World



Global Fund Strategy Framework Overview

The new strategy has four mutually reinforcing contributory objectives that leverage the core strengths and comparative advantages of the unique partnership:

1. Build the resilience and sustainability of systems for health through investments that drive impact against HIV, TB and malaria and related conditions, including coinfections and comorbidities.
2. Maximize the engagement and leadership of affected communities, to ensure that no one is left behind, and that services are designed to respond to the needs of those most at risk.
3. Maximize health equity, gender equality and human rights by deepening the integration of these dimensions into our HIV, TB and malaria interventions.
4. Mobilize increased resources particularly in light of the reverses resulting from COVID-19 while simultaneously driving relentlessly for greater value for money.

(b) Legal Status

The Global Fund is an international financing institution recognized as an international organization, initially formed as a Swiss foundation in 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;
- Effective November 2002, as a tax-exempt organization in the United States of America, under Section n (c) (3) of the Internal Revenue Code;
- 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; and
- 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.

(c) Core Structures

The Global Fund operates within the following core structures:

i. **The Board and its standing committees** – The Board is responsible for strategy, institutional governance and approving program-funding decisions. It is also responsible for assessing organizational performance, overall risk management, partner engagement, resource mobilization and advocacy. It is composed of representatives from donor and implementer governments, civil society, the private sector, private foundations, communities living and affected by the three diseases, as well as international organizations which are Global fund partners.

   The Board's three standing committees are:

   - the Audit and Finance Committee (AFC);
   - the Ethics and Governance Committee (EGC); and
   - the Strategy Committee (SC).

   These committees have Board-delegated decision-making, advisory and oversight responsibilities, outlined in their respective charters, to facilitate and oversee the Secretariat's implementation of the Board's strategy and policies. A Coordinating Group, comprised of the Chairs and Vice-Chairs of the Board and its three standing committees, serves as a collaborative body to coordinate important business of the Board.

ii. **The Secretariat** – The Global Fund Secretariat is responsible for the day-to-day operations of the Global Fund as stated in the Bylaws (approved by the Board pursuant to GF/B34/EDP07 on 28 January 2016 and last amended pursuant to GF/B47/DP07 on 12 May 2022). Under the leadership of the Executive Director, who is appointed by and reports to the Global Fund Board, the Secretariat manages the grant portfolio; executes Board policies; mobilizes resources; provides strategic, policy, financial, legal and administrative support; and oversees monitoring and evaluation of results. The Secretariat is based in Geneva, Switzerland and has no office or employees located outside its headquarters.

iii. **The Office of the Inspector General** – The Global Fund has an Office of the Inspector General (the "OIG") that provides independent and objective assurance over the design and effectiveness of controls or processes in place to manage the key risks impacting the Global Fund's programs and operations, including the quality of such controls and processes. Under the leadership of the Inspector General, the OIG operates as an independent unit from the Secretariat, reporting to the Board through the AFC.

(d) Program Structure

Programs funded by the Global Fund are implemented by Principal Recipients, in collaboration with in-country partners. The Global Fund does not have field offices in implementing countries. The key in-country structures involved in programs funded by the Global Fund are:

i. The **Country Coordinating Mechanism (CCM)**, a partnership composed of key stakeholders in a country's response to the three diseases, is responsible for submitting funding requests to the Global Fund, nominating the entities accountable for administering the funding, and overseeing grant implementation. CCMs are national committees that are convened independently and are not part of the Global Fund's organizational structure.

ii. The **Principal Recipient (PR)**, designated by the CCM, is the recipient of Global Fund financing and utilizes it to implement programs, either directly or through other organizations (sub-recipients). PRs are independent legal entities and are not part of the Global Fund's organizational structure.

iii. The **Local Fund Agent (LFA)** is a key external service provider responsible for monitoring and verifying in-country grant implementation and providing recommendations to the Secretariat on key decisions relating to grants.

1. 2023 Operational Review

The Global Fund/ Tim Knox

1.1 The Replenishment Mechanism

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.

Key results for 2023

The Global Fund partnership has secured commitments from **50 public** and **29 private donors** for a total of **USD 15.68 billion** announced pledges.

The Global Fund has signed agreements with **77% of donors** as of 31 December.

Ongoing resource mobilization efforts

As of 31 December 2023, the Global Fund partnership has secured commitments from 50 public and 29 private donors for a total of USD 15.68 billion announced pledges for the 2023-2025 allocation period, out of the target of at least USD 18 billion set in the Seventh Replenishment Investment Case. This includes additional announced pledges of USD 15 million received since the initial allocation was approved by the Global Fund Board in November 2022.

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. Bearing in mind global fiscal constraints and other contextual factors, the Secretariat is actively following up with donors to mitigate potential funding risks.

Converting Seventh Replenishment Pledges into Contributions

Conversion of Seventh Replenishment pledges in 2023 has progressed well with 28% (USD 3.8 billion) of adjusted pledges received in cash, showing donor confidence (comparable conversion rate to cash receipts at the same period of the 6th replenishment). Conversion of outstanding pledges remains a focus for the Seventh Replenishment cycle (2023-2025) and continues to be actively pursued (with expectation to fully convert the remaining adjusted pledges). The Global Fund has signed agreements with 77% (61 of 79) of donors as of 31 December 2023, the highest proportion of donors' contribution agreements signed within the first year. Most public donors have signed agreements with multi-year payment schedules (28 of 50).

With 97% (USD 17.1 billion) of adjusted pledges for the Sixth Replenishment cycle (2020-2022)[2] received in cash, conversion of the remaining outstanding pledges continues to be a priority and actively pursued.

Preparing for the Eighth Replenishment

In 2024, the Global Fund is accelerating preparations for the Eighth Replenishment which will aim to raise Global Fund resources for the 2026-2028 allocation period. Amongst other priorities, these preparations entail:

- Securing replenishment host/s
- Developing a technically robust and compelling Investment Case
- Developing public and private sector donor engagement and resource mobilization strategies responsive to the complex and volatile environment
- Mobilizing and expanding advocacy partners
- Designing and ramping up an overall communications campaign strategy
- Cultivating and nurturing key partnerships and alliances across the health and development ecosystem.

The Eighth Replenishment campaign will be launched in early 2025 with the release of the Investment Case at a Preparatory Meeting and will culminate at a Pledging Conference in the second half of 2025.

2 Includes encashments for C19RM (C19 Response Mechanism) reported under the Sixth Replenishment

1.2 The Grant Funding Cycle

The Global Fund allocates funding to countries to support HIV, TB and malaria programs and to build resilient and sustainable systems for health. These allocations are made every three years at the beginning of a new allocation period. Each allocation cycle is aligned with the respective replenishment. Allocations to individual countries are calculated using a formula that is predominantly based on each country's disease burden and economic capacity. They are refined to account for important contextual factors through a transparent and accountable qualitative adjustment process.

The following sections provide an update on each active grant cycle at allocation rates:

Grant cycle GC5[3]: 2017-2019

Based on the most recent validated expenditure reports until 30 June 2023, in-country expenditure for all grants of the 2017-2019 cycle of USD 11.0 billion was incurred by the Principal Recipients ("PR") against a cumulative grant budget of USD 12.1 billion. This reflects an in-country absorption ratio of 91% under the 2017-2019 allocation period. Through portfolio optimization and the COVID-19 Response Mechanism 2020 ("C19RM2020") reprogramming, an acceleration in the implementation of programmatic activities has been achieved. The organizational target of 85% has been met for in-country absorption under the 2017-2019 allocation (within +/- 4-5% volatility depending on COVID-19's impact on program implementation compared to the strategic KPI of 75%).

There is a total of 324 grants that have undergone a financial closure process. Out of those 324 grants, 98% of Financial Closure Reports ("FCRs") are fully validated with USD 487 million in closing cash balance.

Grant cycle GC6[4]: 2020-2022

The Global Fund Board approved a total of USD 12.7 billion in funding for country allocations for the 2020-2022 allocation period, from which 100% of the allocation (USD 12.7 billion) has been approved by the Secretariat at 31 December 2023.

Key results for 2023

Incountry absorbption:

GC5: **91%** | GC6: **78%** | C19RM: **48%**

Based on the most recent validated expenditure reports until 30 June 2023, in-country expenditure for all grants of USD 7.8 billion was incurred by the Principal Recipients against a cumulative grant budget of USD 10 billion for the 30th June 2023 period end reporting. This reflects an in-country absorption ratio of 78% under the 2020-2022 allocation period, after 30 months of implementation. This is 4% higher (an increase in expenditure of USD 1.2 billion) than the absorption of the 2017-2019 cycle for the comparable period (74% after 30 months). The improved absorption levels can be attributed to efficiencies gained by the upfront decision of "over-allocation" of additional funds (USD 0.6 billion) and early portfolio optimization process (USD 0.250 billion), as well as better performance on Health Product Procurement.

To strengthened oversight and enhance country performance, Principal Recipients now provide key financial metrics quarterly through Pulse Checks. Although the information shared by the implementers is not reviewed by our assurance providers, the insights gained from the Pulse Checks offer a reliable indicator of absorption (within a +/- 4-5% margin of error). This allows the Global Fund, implementing countries and partners to foresee potential issues and make necessary adjustments.

Impact of COVID-19 pandemic

C19RM2020
Funding Approved of USD 991 million
(including grant flexibilities of USD 232 million)

In 2020, the Global Fund established C19RM (C19RM2020), to combat the pandemic and its devastating impact on the Global Fund programs to fight HIV, TB and malaria around the world. The approved funding under the C19RM2020 mechanism as at 31 December 2022 was USD 991 million, including USD 232 million of approved grant flexibilities.

3 5th Grant Cycle
4 6th Grant Cycle

All C19RM2020 approved funding was integrated to the existing grants to leverage implementation, assurance and reporting mechanisms of these grants. Once approved, the funds are fungible and as such cannot be differentiated into the underlying source of funding i.e., regular grants, grant flexibilities or C19RM. A separate cost module was created in the grant expenditure reports which are submitted by the Principal Recipients. Accordingly, it is not possible for the Secretariat to differentiate grant commitments and disbursements made for COVID-19 activities under the C19RM2020 funding from the regular grant funding.

C19RM2021
Funding Approved of USD 3.9 billion

As the pandemic continued to unfold in severity and impact in 2021, the Global Fund extended the C19RM funding mechanism to establish C19RM2021 mechanism, raising over USD 4.2 billion as incremental sources of funds to fund grants (USD 3.9 billion), management and operating costs (USD 190 million) and centrally managed limited investments (USD 106 million). At 31 December 2023, USD 3.9 billion of new awards for C19RM2021 grant funding and USD 400 million in Portfolio Optimization were approved by the Investment Committee for over 100 countries with the eligibility of C19RM investments evaluated on the basis of the following objectives:

1. Actions to reinforce the response to COVID-19.
2. COVID-19 related adaptation of programs to fight HIV, TB and malaria.
3. Strengthening health and community systems.

The three areas also incorporate cross-cutting activities that bolster community responses to COVID-19.

C19RM 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 – everything except vaccines. Implementation partners are leveraging the Global Fund's extensive health and community networks and well-established health procurement and distribution systems to distribute new COVID-19 tools, medical supplies, and training at scale in more than 100 countries.

From the beginning, C19RM faced implementation challenges, due to disruptions in supply chain during the pandemic with the introduction of new tools and health products in a restrictive market setting, challenges in activities execution due to COVID-19 restrictions and availabilities of health products and human resources. Over the period, the countries' needs evolved as well with the shift in the pandemic from an emergency response to longer-term investments in strengthening health systems and pandemic preparedness. In response to this evolution in the pandemic, the Board at its 48th Board meeting in November 2022 approved a 2 year extension to permit implementation of C19RM funds until 31 December 2025, with the intent to shift the C19RM investment to a more strategic investment in Health and community systems strengthening. The 2-year extension is providing opportunities to address past implementation challenges and execute the re-investment shift for the countries.

In 2023, USD 2.2 billion of re-programming for re-investment in the shift were approved by the Investment Committee and other delegated authorities, including USD 400 million of portfolio optimization. Those approved re-investments are mostly directed towards Health and Community systems, to respond to the change in the countries' needs and shift the investment from an emergency response to a Pandemic Preparedness response. Grant revisions are currently on-going, and the countries have until 31 December 2025 to execute the reprogrammed investment.

Based on the most recent validated expenditure reports until 30 June 2023, in-country expenditure for C19RM 2021 grants of USD 1.4 billion was incurred by Principal Recipients against a cumulative grant budget of USD 3.0 billion, that is before the re-investment shift that was completed at the end of 2023. This reflects an in-country absorption of 48%.

2. 2023 Financial Performance

The Global Fund/ Andrew Esiebo/ Panos

The Secretariat dynamically manages its financial position under its Asset Liability Management ("ALM") framework, to ensure timely decision making. The overall financial position of the Global Fund ALM is constituted of the following core components:

1. **Uses of Funds**
   1.1 Grant Liabilities
   1.2 Strategic Initiatives (SI)
   1.3 Operating Costs of the Global Fund
2. **Sources of Funds**
   2.1 Donor Pledges and Contribution Agreements
   2.2 Treasury Management

Besides the Global Fund ALM, this section also provides an overview on the Global Fund Provident Fund.

2.1 Uses of Funds

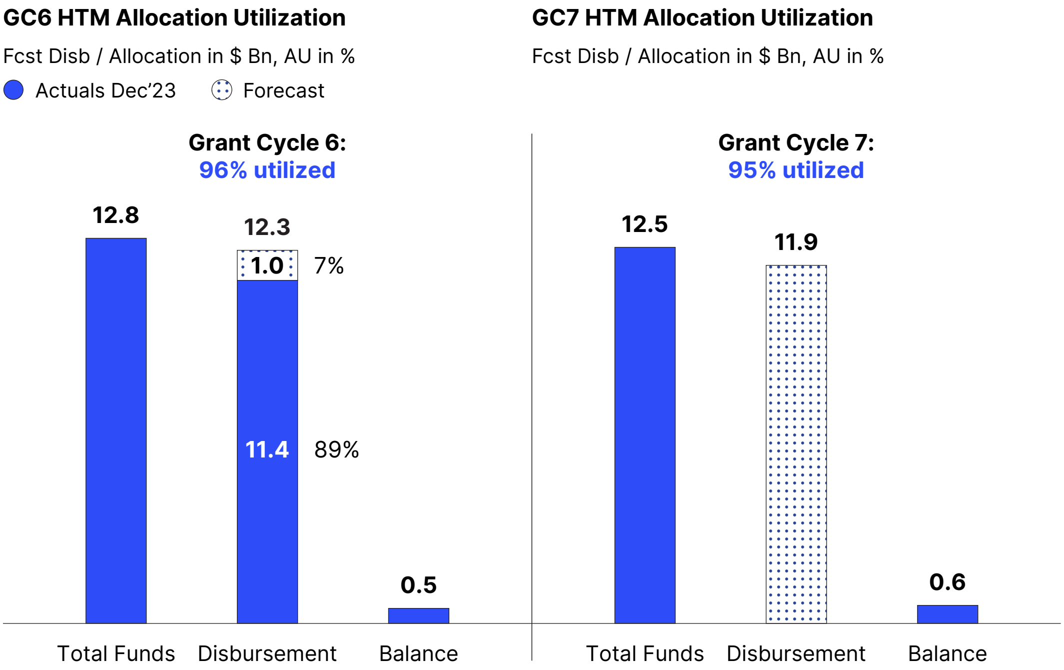
1.1 Grant Liabilities

Key financial highlights for grant activities during 2023 are outlined below:

- Grant expenditure: When measured at the respective allocation rates, 2023 grant expenditure, including C19RM, of USD 4,438 million are 4% lower than the grant expenditure made during 2022 (USD 4,631 million). This is reflective of the first year of GC7 and third year of implementation of the GC6 grant cycle representing a total amount of USD 4,484 million, when compared with the grant expenditure incurred during 2020, the comparative year of GC5 implementation period, the 2023 grant expenditure shows an increase of 9% (which includes C19RM).
- Grant disbursements: when measured at the respective allocation rates, grant disbursements during 2023 amounted to USD 5,013 million, of which USD 4,175 million was towards HTM (HIV-TB-Malaria) and USD 838 million was towards C19RM.

The following chart provides the status of uses of funds as of 31 December 2023.
Amounts in million USD, unless otherwise stipulated:

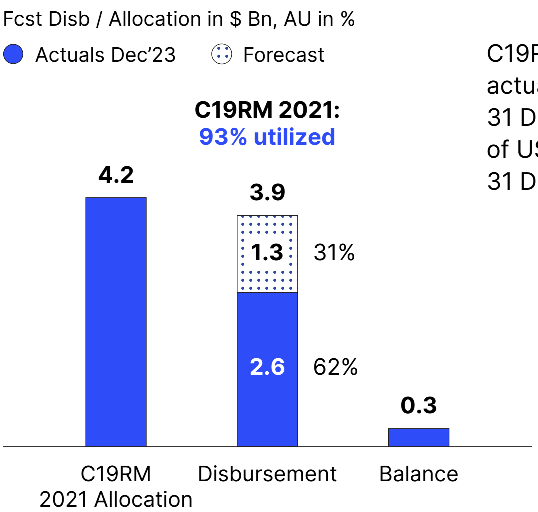
Fig. 1:
Uses of funds as of 31 December 2023



Strong Allocation Utilization (AU) for both GC 6 and forecasted for GC7:

- GC6 indicates a strong AU of 89% as of 31 December 2023, with USD 11.4 billion already disbursed after 3 years of implementation (13% higher when compared to similar period in GC5)
- A further USD 1 billion is forecasted to be disbursed on grants with end dates after 31 December 2023, bringing the expected AU for GC6 to 96% (3% higher than GC5).
- Current assumption with 95% AU is applied for GC7 as we are in early stages of implementation, with 70% of GC7 grants recently approved as of 31 December 2023.

Fig. 2:
C19RM 2021 Allocation Utilization



C19RM 2021 Allocation Utilization of 93% including actual disbursements of USD 2.6 billion as of 31 December 2023 and forecasted disbursement of USD 1.3 billion for the next two years until 31 December 2025.

1.2 Strategic Initiatives

The total envelope available for the 2020-2022 SI cycle had been reduced reflecting the GAC's decision on 16 September 2022 to reallocate USD 2 million from TERG[5] SI to the Emergency Fund. Therefore, the total available envelope for the SI cycle 2020-2022 amounts to USD 321 million (excluding the Emergency Fund which is integrated with the underlying grants) with USD 320 million or 99% of the envelope approved by GAC.

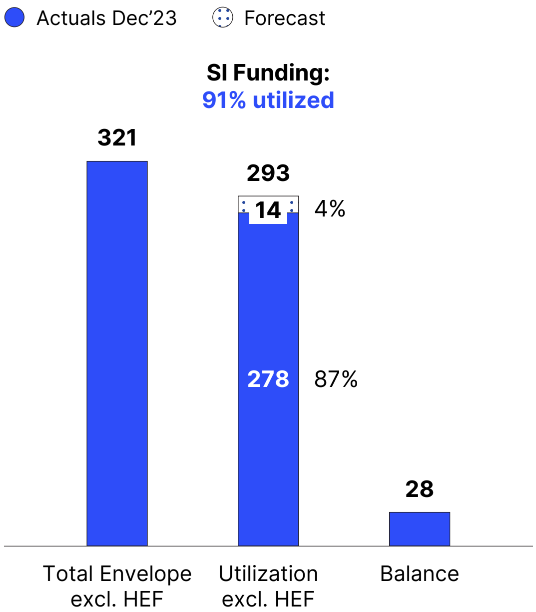
The cumulative actual fund utilization for SI[6] at 31 December 2023 for the 2020-22 allocation period reached USD 278 million of which USD 138 million was expensed in 2023. USD 14 million remain in commitments and is forecasted to be expensed before the end of the SI cycle, to bring the forecasted SI utilization to 91%.

The following figure provides an overview on the status of SI as of 31 December 2023 based on latest forecast assumptions.

Fig. 3:
Strategic Initiatives Utilization

Board Envelope vs. Utilization Forecast

Amounts in millions of USD at allocation rate



Total SI Fund utilization of 91% or USD 293 million is projected, with USD 14 million of remaining forecast mainly due to the MAL 3-LLIN SI which was extended until December 2024. Leaving potential unutilized funds of USD 28 million, this is mainly driven by delays encountered in the first year of implementation, when countries and Country Teams appropriately prioritized C19RM, with implications for SI scale up and implementation.

5 The Technical Evaluation Reference Group
6 Strategic initiatives of 2020-2022 cycle excluding, Emergency Fund, private sector SI, CMLI and previous cycle

1.3 Operating Costs of the Global Fund

The Global Fund has continued to proactively monitor its operating expenses whilst enabling the implementation of its priority projects in support of its 2023-2028 Strategy.

Performance against the budget

The total operating expenditure for 2023 at spot rate amounts to USD 400 million (2022: USD 373 million), of which USD 356 million for regular operating expenditure (2022: USD 330 million), USD 40 million (2022: USD 43 million) is towards C19RM administration support costs and USD 4 million (2022: USD nil) of Co-Funding Mechanism linked to earmarked private sector contribution on Grant Cycle 7. This is the highest level of expenditure in the history of the Global Fund.

When measured at the 2023 budget rate, this results in USD 337 million of regular operating expenses (2022: USD 327 million) thereby yielding a foreign exchange loss of USD 19 million (2022: USD 3 million), which is integrated into the ALM. The following table provides an overview of 2023 operating expenses against the approved budget:

Fig. 4:
2023 Actuals by cost nature

In USD million	FY 2023 Actuals	FY 2023 Revised Budget	Var. Actuals vs Budget abs	Var. Actuals vs Budget %
LFA Fees	**47.2**	**45.9**	**1.3**	**2.8%**
CCM Funding	**10.8**	**10.6**	**0.2**	**1.4%**
Costs Secretariat and OIG	**266.8**	**277.8**	**(11.0)**	**(4.0%)**
Workforce	188.1	192.8	(4.7)	(2.4%)
Staff	*177.3*	*188.0*	*(10.7)*	*(5.7%)*
Individual / Temp Consultants	*10.9*	*4.8*	*6.0*	*++*
Professional fees	36.1	38.9	(2.8)	(7.2%)
Travel	14.0	15.1	(1.1)	(7.5%)
Meetings	2.3	2.0	0.2	11.5%
Communications	1.7	2.1	(0.5)	(22.0%)
Office Infrastructure	20.8	21.2	(0.4)	(2.1%)
Board Constituency	1.1	1.5	(0.4)	(25.4%)
Depreciation	2.7	4.0	(1.3)	(32.7%)
External Co-Funding	0.0	0.0	0.0	0.0%
Opex before non-recurring costs	**324.8**	**334.3**	**(9.6)**	**(2.9%)**
Total Non-recurring costs	**12.1**	**5.7**	**6.4**	**++**
Total operating costs	**336.9**	**340.1**	**(3.2)**	**(0.9%)**

In 2023, the Secretariat's effort was focused on maintaining budget discipline to remain within the approved budget of USD 340.1 million while delivering on key priorities. When measured at budget rate, the 2023 operating expenditure is USD 336.9 million, USD 3.2 million below the approved budget and representing 99.1% of budget utilization which illustrates an optimal utilization of operating expenditure.

Total recurrent cost savings were realized in cost categories such as staff costs from delays in staff onboarding, Professional Fees and lower travel. This has allowed reallocation of resources to fund higher external assurance costs and non-recurring costs. The following table summarizes the key variances noted in the table above:

Amounts in USD millions at budget rate	**Items Impacted**	**Comments**
(4.7)	Recurring Workforce	Delays in recruiting and overall onboarding of new staff.
(4.9)	Recurring non-workforce	Higher disbursement versus budget on assurance mechanisms (LFA/CCM USD +1.4M) offset by savings in most cost categories mainly in professional fees and travel from rigorous budgetary discipline.
6.4	Non-Recurring Costs	Mainly driven by investment in staff cost incurred to address incremental resourcing needs, sick leave, leave provisions & performance awards. These were initially underbudgeted to prioritize funding of imperatives underlying the new strategy delivery.

Operating costs, at spot rate, as a percentage of total expenditure increased to 8% in 2023 (2022: 7.4%) driven by a 1% decrease in grant expenditure over 2022.

During 2023, the Global Fund incurred USD 40 million of C19RM Management and Operating Costs at spot rate. When measured at the 2023 budget rate, it resulted in USD 38 million of operating expenses thereby yielding a foreign exchange loss of USD 2 million, which is integrated into the ALM. As of 31 December 2023, the cumulative C19RM Management and Operating Costs since 2021 inception to date totalled USD 101 million (at budget rate).

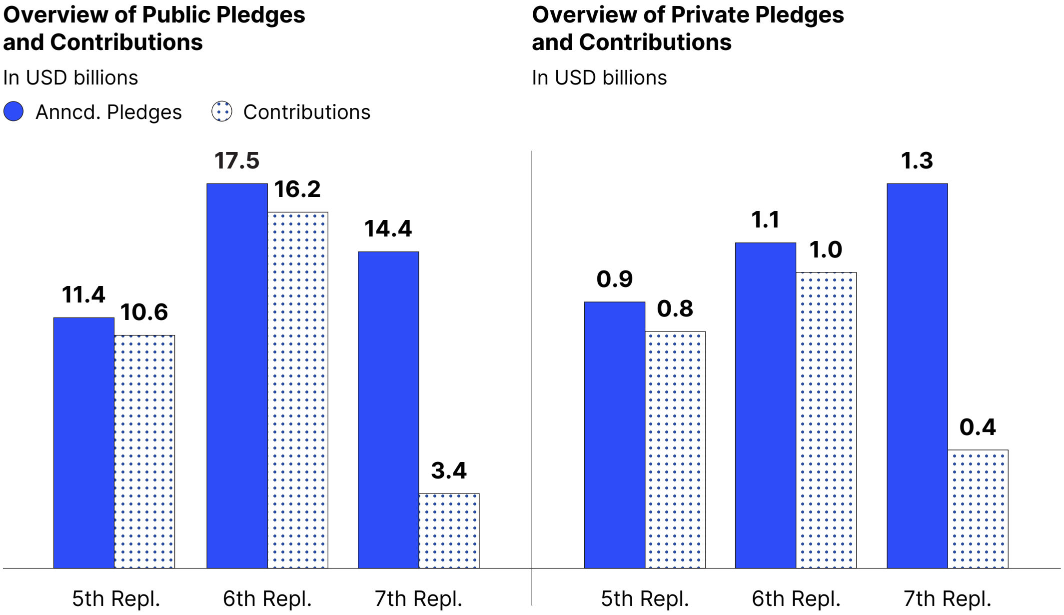
2.2 Sources of Funds

2.1 Donor Pledges and Contribution Agreements

Financial contributions from public and private donors to the Global Fund are critical to ending AIDS, tuberculosis and malaria as epidemics and to strengthening systems for health. More than 80 countries and more that 40 private or non-governmental organisations have made or pledged contributions to the Global Fund since inception to accelerate the fight against the three diseases. A majority of the Global Fund's financial support comes from public resources.

The following figure provides an overview of pledges and contributions across the three recent replenishment periods:

Fig. 5:
Pledges and Contributions overview



2.2 Financial management framework

The core financial framework and principles for the management of the Global Fund's Sources and Uses of Funds are set out in the Comprehensive Funding Policy (CFP), as approved by the Global Fund Board in November 2016 (GF/B36/DP04). The CFP defines asset-liability management principles and makes provisions for the management of foreign exchange risk and investments.

The Global Fund Secretariat monitors and reports to the Board and the Audit and Finance Committee on a regular basis on the three below mentioned topics.

Asset-liability management

The Global Fund's asset-liability management ("ALM") framework, defined in the CFP, aims at ensuring the balance of Sources and Uses of Funds, as well as maximizing the amount, optimizing the timing and increasing the certainty of resources for recipients with a sufficient degree of advance visibility.

In addition to assets included in the Global Fund's balance sheet, Sources of Funds include adjusted donor pledges and contribution agreements that are not included in financial statements. At the end of 2023, the Global Fund had sufficient confirmed financial resources as Sources of Funds to meet funding allocated by the Global Fund Board under Uses of Funds.

Key results for 2023

The Global Fund Trust Fund investment balance pool was valued at **USD 5,017 million** and returned **6.4%** as the annual rate of return.

2.3 Treasury Management

Investment Management

The World Bank, acting as the Trustee of the Global Fund Trust Fund, manages the Global Fund's investments. The investment framework provides clear guidance for the Trustee as it manages the investment procedures and practices. Under this framework, the Global Fund defines the strategic asset allocation with the support of the Trustee.

As of 31 December 2023, the Global Fund Trust Fund investment balance pool was valued at USD 5,017 million (2022: USD 5,743 million) and returned 6.4% as the annual rate of return (2022: (2.05%)). In absolute terms, the Trustee reported a USD 280 million net investment gain on the Trust Fund (2022: USD 73 million investment loss).

Foreign Exchange Management

The Global Fund uses the US dollar (USD) as its functional and reporting currency. Foreign exchange risk arises due to a net open position in currencies other than USD in the Global Fund's Sources and Uses of Funds as defined in the Comprehensive Funding Policy.

The Global Foreign-Exchange (FX) Management Framework aims at effective management of risk arising from FX exposures to elements included in the Global Fund's asset-liability management framework. The hedging policy operates at a portfolio level and is controlled with a specific risk metric utilizing value-at-risk (VaR). FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance and off-balance sheet items. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

The key principles of hedging followed under the FX Management Framework can be summarized as follows:

- Role of hedging: reduce volatility of FX effects on the ALM (i.e. from reference point of the replenishment); and
- Hedging should produce FX effects in a direction opposite to FX effects before hedges.

Specifically in the period under review, hedges have produced, per currency, results of sign opposed to FX results before hedges. Overall FX effects are limited because of hedging.

For the year ended 31 December 2023, a net foreign exchange loss of USD 17 million is reported on the net ALM positions (2022: USD 19 million net loss). The following table summarizes the impact of hedging on net FX results, including economic FX results (off-balance sheet).

USD million	Before hedges	Hedges	Net
Accounting FX results (on-balance sheet)	80	(70)	10
Economic FX results (off-balance sheet)	(27)	-	(27)
Net FX results 2023	**53**	**(70)**	**(17)**
Net FX results 2022	*162*	*(181)*	*(19)*
Net FX results 2021	*(70)*	*84*	*14*

A detailed analysis on the net foreign exchange results is included in Note 5.7 to the annual financial statements.

2.3 The Global Fund Provident Fund

The Global Fund maintains a Provident Fund scheme for the benefit of its employees, the Global Fund Provident Fund (GFPF). The Provident Fund is administered in Swiss Francs (CHF) consistent with employee remuneration. As at 31 December 2023, when measured in CHF, the Provident Fund assets fully cover the underlying employee benefit liability.

For the purposes of the annual financial statements, the Provident Fund assets are translated into USD. The Provident Fund qualifies as a defined benefit obligation under IAS-19 *Employee Benefits* and accordingly is subject to an annual actuarial valuation. Following the technical valuation by an external actuary, the net employee benefit obligation was valued at USD 327 million (2022: USD 244 million). This includes USD 302 million of Provident Fund reserves and USD 25 million of cumulative actuarial valuation reserve.

As at 31 December 2023, the Provident Fund asset base was USD 303 million (2022: USD 246 million) which included USD 290 million (2022: USD 235 million) of investments measured at fair value and USD 13 million (2022: USD 11 million) in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund Constitutional Declaration and Benefits Rules. During 2023, a net fair valuation gains on Provident Fund investments for USD 7.5 million (2021: USD 24.6 million net loss) was reported.

In CHF, the currency in which the Provident Fund is managed, the annual rate of return on investments was 1.8% against a benchmark of 5.5% (2022: (10.9%) against benchmark of (10.3%)). Compared to the same pension funds the Strategic Asset Allocation of the Provident Fund GFPF is more conservative (with less exposure to equities) and more liquid (with less exposure to unlisted assets). The underperformance against the benchmark is primarily due to revaluation of Global Real Estate following increased interest rates.

Since its inception in 2009, the Provident Fund has distributed surplus in 8 years amounting to a cumulative value of CHF 48.6 million.

Key results for 2023

The Global Fund 2023-2028 Strategy emphasizes on **more health for money**.

2024 Looking Forward

Corporate Priority and Investments in Public Financial Management

The Global Fund 2023-2028 Strategy emphasizes on more health for money. Amongst other factors, the Strategy requires addressing risks to adequate health financing due to weak public financial management (PFM) systems for achieving more efficient, effective, and equitable use of existing resources.

The Global Fund's strategy to use country systems for grant management, has led to an increased focus on PFM systems in 31 "High Impact and Core" countries. This transition, aligning with the OIG advisory on Domestic Financing for Health, involves extensive capacity building, system investments, and collaboration with key partners like Gavi, the World Bank, and USAID. In 2023, situational analysis in 26 countries was conducted to identify the PFM components used for grant implementation and to invest in human resources to develop health-related financial curricula. In 2024, the second stage of the strategy will assess the maturity of these systems. Additionally, the Global Fund has made significant strides in public accountability by signing Memoranda of Understanding with the African Sub-Saharan Organization of French Speaking Supreme Audit Institutions (CREFIAF) and the African Organization of English-speaking Supreme Audit Institutions (AFROSAI-E) to enhance the capacity of Supreme Audit Institutions (SAIs) in African countries, aiming to increase the number of SAIs auditing its grants and enhancing overall financial oversight and transparency.

Partnership with Gavi and other Financing Health Institutions

The Global Health Campus (GHC) opened in 2018 as a hub to support and expand collaboration among global health organizations. Since it opened, the building has housed five organizations: The Global Fund, Gavi, the Vaccine Alliance, the Stop TB Partnership, RBM Partnership to End Malaria and Unitaid.

In the second quarter of 2024, the Foundation for Innovative New Diagnostics, also known as FIND will join the GHC. They are a long-time partner of the Global Fund and other organizations based at the Global Health Campus, having worked as a co-convener of the Access to COVID-19 Tools Accelerator (ACT-A) diagnostics pillar during the COVID-19 pandemic.

In 2023, the Finance divisions of the Global Fund and Gavi formalized their ongoing engagements by signing a data-sharing agreement and joined forces to strengthen Supreme Audit Institutions in Africa. At country level, the two organizations remain committed in improving risk management, capacity building, contributing to the program delivery and developing financial curricula in selected countries.

2023 SAI-Donor Indaba Conference

The Global Fund and the OIG sponsored the first SAI-Donor Indaba conference in Pretoria, South Africa, bringing together Auditor Generals from the AFROSAI-E – representing a region that accounts for more than USD 29 billion of the Global Fund's allocation since 2014.

Among the more than 100 participants, there were also representatives from CREFIAF, the African Organization of Public Accounts Committee, USAID, the U.S. Government Accountability Office (GAO), Aidspan, African Development Bank and World Bank. The Global Fund and AFROSAI-E agreed on the need for increased harmonization in donor financial reporting and auditing requirements. Other donors, SAIs and development partners at the conference called for strengthening SAI capacity beyond financial audits. They underscored that engaging SAIs in performance audits would better link funding to programmatic impact to the benefit of beneficiaries.

The Secretariat and the OIG will continue to collaborate and further promote PFM as a corporate strategic priority over 2024.

Annual Financial Statements 2023

The Global Fund/ Tim Knox

Responsibility for the financial statements

The Secretariat is responsible for the preparation of the financial statements and related information that is presented in this report. The financial statements are prepared in conformity with accounting principles under IFRS Accounting Standards. The financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA was appointed as the statutory auditors by the Global Fund Board upon the recommendation of the Audit and Finance Committee to audit and opine on the 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 unauthorised 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 Global Fund Board, through its Audit and Finance Committee, 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 financial statements as at and for the year ended 31 December 2023 were approved by the Board on 24 April 2024.

The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), Le Grand-Saconnex

Report of the Statutory Auditor to the Board on the

Financial Statements 2023

KPMG SA
Geneva, 24 April 2024

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Report of the Statutory Auditor to the Board of
The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), Le Grand-Saconnex

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund) which comprise the statement of financial position as at 31 December 2023, statement of income, statement of comprehensive income, statement of cash flows, statement of changes in funds for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying the financial statements give a true and fair view of the financial position of The Global Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Global Fund in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report

The Global Fund Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the stand-alone financial statements of The Global Fund and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Global Fund Board and the Secretariat' Responsibilities for the Financial Statements
The Global Fund Board and the Secretariat are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Global Fund Board and the Secretariat is responsible for assessing the Global Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Global Fund Board either intends to liquidate The Global Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Global Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Global Fund Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Global Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Global Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within The Global Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of The Global Fund audit. We remain solely responsible for our audit opinion.

KPMG

The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), Le Grand-Saconnex
Report of the Statutory Auditor to the Board on the Financial Statements

We communicate with the Global Fund Board primarily through the Audit and Finance Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of The Global Fund Board.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Alexandra Depoire Licensed Audit Expert Auditor in Charge	Elodie Elloy Licensed Audit Expert

Geneva, 24 April 2024

Enclosure:
- Statement of income, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in funds and notes to the financial statements

Statement of income
for the year ended 31 December

USD millions	Notes	2023	2022[7]
Operating activities			
Income			
Contributions	4.1	6,264	6,927
Expenditure			
Grants	3.2	(4,597)	(4,684)
Operating expenses	6.1	(390)	(398)
Total		**(4,987)**	**(5,082)**
Net operating activities		**1,277**	**1,845**
Financing and Investing Activities			
Foreign exchange result, net	5.7	10	(298)
Financial income, net	5.8	280	(73)
Discounting on long-term financial positions	5.9	70	(83)
Total		**360**	**(454)**
Increase in funds		**1,637**	**1,391**

Statement of comprehensive income
for the year ended 31 December

USD millions	Notes	2023	2022
Increase in funds		1,637	1,391
Other comprehensive income			
Remeasurement (loss)/ gain on defined benefit liability that will not be reclassified to the statement of income	6.2	(36)	29
Total comprehensive income for the year		**1,601**	**1,420**

7 Certain comparative amounts have been reclassified, refer to note 2.5

Statement of financial position
At 31 December

USD millions	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents	5.1	43	135
Trust Fund	5.2	5,017	5,743
Contributions receivable	4.2	1,816	575
Derivative financial instruments at fair value	5.6	29	69
Other receivables	4.2	45	40
		6,950	**6,562**
Non-current assets			
Contributions receivable	4.2	1,987	1,429
Provident Fund investments	5.3	290	235
Tangible and intangible assets		37	42
		2,314	**1,706**
Total Assets		**9,264**	**8,268**
Liabilities			
Current liabilities			
Grants payable	3.3	2,228	3,031
Derivative financial instruments at fair value	5.6	104	268
Other current liabilities	6.3	75	74
		2,407	**3,373**
Non-current liabilities			
Grants payable	3.3	293	12
Employee benefit liabilities	6.2	327	244
Lease liability		28	31
		648	**287**
Total Liabilities		**3,055**	**3,660**
Temporarily restricted funds	7.3	57	50
Unrestricted funds	7.3	6,195	4,566
Remeasurement of defined benefit liability	6.2	(43)	(8)
Total Funds		**6,209**	**4,608**
Total liabilities and funds		**9,264**	**8,268**

Statement of cash flows
for the year ended 31 December

USD millions	Notes	2023	2022
Operating activities			
Cash received from donors	4	4,613	7,142
Grant disbursements		(5,121)	(5,279)
Payments for operating expenses		(371)	(350)
Proceeds from the settlement of forward contracts		133	221
Payments from the settlement of forward contracts		(327)	(150)
Net cash flow from operating activities		**(1,072)**	**1,584**
Investing activities			
Financial income received, net	5.8	143	96
Purchases of Provident Fund investments		(24)	(46)
Sales of Provident Fund investments		-	22
Purchases of tangible and intangible assets		-	(4)
Net cash flow from investing activities before Trust Fund movements		119	68
Net cash rebalancing between commercial banks and Trust Fund		863	(1,731)
Net cash flow from/ (used in) investing activities		**982**	**(1,663)**
Financing activities			
Payment of lease liabilities		(8)	(7)
Net cash flow used in financing activities		**(8)**	**(7)**
Net decrease in cash and cash equivalents		(98)	(86)
Cash and cash equivalents			
- at beginning of the year	5.1	135	218
Effect of exchange rate changes		6	3
- at end of the year	**5.1**	**43**	**135**

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

As at 31 December

USD millions	Notes	2023	2022
Amounts held in commercial banks	5.1	43	135
Amounts held in Trust Fund	5.2	5,017	5,743
Total operational cash balance		**5,060**	**5,878**

Statement of changes in funds for the year ended 31 December USD millions	**Foundation capital**[8]	**Temporarily restricted funds**	**Unrestricted funds**	**Remeasurements of defined benefit liability**	**Total**
As of 1 January 2022,	**-**	**66**	**3,159**	**(37)**	**3,188**
(Decrease)/ increase in funds for the period		(16)	1,407	-	1,391
Other comprehensive income	-	-	-	29	29
On 31 December 2022	**-**	**50**	**4,566**	**(8)**	**4,608**
As of 1 January 2023,	**-**	**50**	**4,566**	**(8)**	**4,608**
Increase in funds for the period		7	1,630	-	1,637
Other comprehensive income	-	-	-	(36)	(36)
On 31 December 2023	**-**	**57**	**6,196**	**(44)**	**6,209**

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

Explanatory notes to the annual financial statements

The Global Fund presents its financial statements to include the following key financial statements:

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

The disclosure content in the financial statements and in particular the notes to the financial statements is carefully selected to increase focus on the net financial results of what drives the Global Fund's performance. The financial statements have been supported by detailed notes grouped into seven sections that provide a granular view of the core activities of the Global Fund.

With the intent to enhance readability and understanding, each section presents the financial information and material accounting policies that are relevant to understanding the activities and accounting principles of the Global Fund.

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

Index for notes to the financial statements

Section 1: Activities and organization

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 Global Fund maintains a Provident Fund for the purposes of providing retirement, death and disability benefits to its employees and their qualifying dependents and beneficiaries. It does not have a separate legal personality from the Global Fund. It enjoys the same privileges and immunities accorded to the Global Fund in line with the organizational status outlined above.

The Global Fund headquarters are in Geneva, Switzerland. The registered address is Chemin du Pommier 40, Grand-Saconnex 1218, Geneva, Switzerland. Foundations in Switzerland may be subject to monitoring by the Swiss Federal Supervisory Board for Foundations. The Global Fund does not have any in-country offices, branches or affiliates.

Section 2: Basis of reporting

2.1 Statement of compliance

The financial statements have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS does not contain specific guidelines for not-for-profit organizations concerning the accounting treatment and presentation of the financial statements. Where the IFRS are silent or do not give guidance on how to treat transactions specific to the not-for-profit sector, accounting policies have been based on IFRS dealing with similar and related issues or the general IFRS principles, as detailed in the Conceptual Framework for Financial Reporting.

2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value, as explained in the respective sections of the foot note disclosures. For such items that are subject to measurement at fair value, the inputs and fair valuation techniques are described in the respective notes in the financial statements.

Due to rounding, numbers presented throughout these financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

These financial statements as at and for the year ended 31 December 2023 were approved by the Global Fund Board on 24 April 2024.

2.3 Functional and presentation currency

The financial statements are presented in United States dollars ("USD"), the Global Fund's functional currency, and rounded to the nearest million, unless otherwise stipulated.

Transactions in foreign currencies are recognized in USD at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to USD at the exchange rates at the reporting date. All differences are recognized in the statement of income.

2.4 Significant management judgments, estimates and assumptions

All significant judgments, estimates and assumptions that are relevant to the understanding of the financial statements are provided through the notes to the financial statements. In particular, the Global Fund has applied judgment in accounting for certain transactions with respect to grants (Section 3) and contributions (Section 4).

The Global Fund is subject to risks and uncertainties that may lead to actual results differing from estimates. Specific financial risks for the Global Fund are discussed in Section 4 and Section 5.

2.5 Changes in accounting policies, estimates and judgments and standards issued and not yet effective

A number of new standards, amendments and interpretations either became effective 1 January 2023 or were issued but not yet operative. Effective from 1 January 2023, The Global Fund adopted "Disclosure of Accounting Policies" (Amendments to IAS 1 and IFRS Practice statement 2) which require the disclosure of "material" rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, the note on Tangible and intangible assets is no longer disclosed in the financial statements.

Certain comparative amounts in the statement of income have been reclassified, as a result of a change in the presentation of the discounting impact of non-current contributions. Refer to Section 4.2 for further details.

2.6 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 31 December 2023
All amounts in USD million

		Carrying amount		
Global Fund financial position	**Note**	**Mandatorily at FVTPL**	**At amortized cost**	**Other financial liabilities**
Financial assets measured at fair value				
Trust Fund asset	5.2	5,017	-	-
Provident Fund Investments	5.3	290	-	-
Derivative financial instruments measured at fair value	5.6	29	-	-
Financial assets not measured at fair value				
Cash and Cash equivalents	5.1	-	43	-
Contributions receivable	4.2	-	3,803	-
Other receivables*1	4.2	-	35	-
Financial liabilities measured at fair value				
Derivative financial instruments measured at fair value	5.6	104	-	-
Financial liabilities not measured at fair value				
Other liabilities	6.3	-	-	59
Lease liability		-	-	35
Grant payable	3.3	-	-	2,521

As at 31 December 2022
All amounts in USD million

		Carrying amount		
Global Fund financial position	**Note**	**Mandatorily at FVTPL**	**At amortized cost**	**Other financial liabilities**
Financial assets measured at fair value				
Trust Fund asset	5.2	5,743	-	-
Provident Fund Investments	5.3	235	-	-
Derivative financial instruments measured at fair value, net asset	5.6	69	-	-
Financial assets not measured at fair value				
Provident Fund Investments	5.3	235	-	-
Cash and cash equivalents	5.1	-	135	-
Contributions receivable	4.2	-	2,004	-
Other receivables*1	4.2	-	29	-
Financial liabilities measured at fair value				
Derivative financial instruments measured at fair value	5.6	267	-	-
Financial liabilities not measured at fair value				
Other liabilities	6.3	-	-	62
Lease liability		-	-	38
Grants payable	3.3	-	-	3,043

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

Section 3: Grant activities

Grant making is the core operation of the Global Fund and forms the major source of expenditure and cash outflow. The Global Fund uses portfolio categories to ensure that operational policies and processes reflect contextual needs for countries. The list of countries in each of these categories below is updated for each allocation period based on the allocation amount, the disease burden, and opportunity for strategic impact of the country:

i. High Impact Portfolios are generally very large portfolios with mission-critical disease burdens. These portfolios are split across by geographic locations:
   a. Asia
   b. Africa I (West and Central Africa)
   c. Africa II (rest of Africa)

ii. All other portfolios

The table below summarizes the accounting results for core grant activities based on the accounting principles underlined in this section:

Grant stage for the year ended 31 December	Contingent Liability: Board approved but not committed	Annual commitment	Disbursement of committed amounts As per statement of cash flow	Foreign exchange gains on EUR grant liabilities	Annual commitments not disbursed as at 31 December (Grants payable as per statement of financial position)
Notes	**3.1**	**3.2**			**3.3**
2023	11,103	4,597	5,121	1	2,521
2022	5,093	4,684	5,279	2	3,043

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

3.1 Contingent liability

Contingent liabilities for grants are reported when the possible maximum obligation under the grant becomes clear and is communicated to the Principal Recipient. They represent a possible obligation that can be reliably measured but is still dependent on future events like the performance of the Principal Recipient and the availability of funding.

At the time contingent liabilities are reported, the Global Fund does not yet have a present obligation that it has no practical ability to avoid because it still has a substantive ability to manage the use of grant funds and accordingly restrict the future obligations and cash flows.

Following each replenishment cycle (as mentioned under Section 4: Donor Activities), the Global Fund determines the grant allocation cycle by country and by disease. These allocations represent the maximum eligible funds available to any country for the next three years. To access this funding, the Principal Recipients in these countries submit funding applications which transform into operational grants. These grants are subject to technical, risk and operational evaluations. Each grant is ultimately approved by the Global Fund Board following the recommendation of the Secretariat's Grants Approval Committee ("GAC").

A contingent liability for grants is reported at the earlier of the following two milestones:

i the transmission of the draft grant agreement, which is conditional to the Board approval, to the Principal Recipient following the GAC recommendation, and

ii the Global Fund Board approval.

Following the Board approval Global fund signs grant agreements that include substantive conditions based on performance and availability of funding and that remains a contingent liability. During grant implementation, the contingent liability of a grant is reduced by the cumulative amount of grant expenses. The following table summarizes the contingent liability for grants at 31 December:

	2023	2022
By category		
Grants approved by the Board but not signed	1,688	422
Grants agreements signed but not committed	9,415	4,671
Total	**11,103**	**5,093**

The following table provides an overview of contingent liability for grants by programmatic region defined by the Global Fund according to the risk and geographical classification of each country for a given allocation period:

	2023	2022
Contingent liability for grants to Principal Recipients **By region**		
Asia (outside High Impact), Europe, Latin America and Caribbean	775	454
Africa (outside High Impact) and Middle East	2,515	1,167
High Impact Africa I	2,610	848
High Impact Africa II	3,649	1,754
High Impact Asia	1,553	870
Total	**11,103**	**5,093**

3.2 Grant expenditure

Grants on behalf of Principal Recipients

The recognition of grant expenditure and liability is determined to be the point at which the annual funding decision is made and communicated by the Global Fund to the Principal Recipient. The annual funding decision provides the Principal Recipient with a firm disbursement schedule, together with a statement that conditions have been met and that the funding is available. At this point the Global Fund has a present obligation to the Principal Recipient to fulfil amounts committed and the full amount of the annual commitment resulting from the annual funding decision is recognized as a grant payable in the statement of financial position and recorded as expenditure within the statement of income.

During the year of the commitment, funds are disbursed on the basis of the annual funding decision and the level of remaining funds held by the Principal Recipient. As amounts are disbursed, there will be a subsequent reduction in the level of grants payable.

Grants for Pooled Procurement Mechanisms

Approximately one-quarter to one-third of the total grant expenditure is towards procurement expenditure made through the Global Fund Board-approved Pooled Procurement Mechanisms ("PPM"). The Global Fund provides an online platform called wambo.org to its registered Principal Recipients who elect to use PPM to purchase health supplies. At the point when the Global Fund approves a purchase order in wambo.org, a grant expenditure and the corresponding liability are recorded. The Global Fund pays the procurement service agent, which in turn forwards the payment to the manufacturer on behalf of the Principal Recipients in line with the underlying delivery terms, thereby reducing the liability.

Strategic Initiatives

Besides the main grants, the Global Fund provides separate funding for Strategic Initiatives that support the success of country allocations but cannot be funded through disease-specific components of grants. These initiatives are implemented through partners and suppliers for which individual multi-year projects that extend through a three-year allocation period are approved by the GAC. For Strategic Initiatives projects implemented through partners, the Global Fund recognizes the expenditure and corresponding liability when the disbursement decision has been made and communicated to the partner, as this represents the point at which there is a constructive obligation to disburse to the partner. The expenditure for all other Strategic Initiatives projects are recognized at the point of service delivery.

Grants under recovery

Grants under recovery from Principal Recipients are recognized at the point of issuing a formal demand letter to the Principal Recipients for amounts stated in the letters as being owed by them to the Global Fund. The amounts determined as grants under recovery are recognized through the statement of income. Given the operational nature of these recoveries, these are reported as a reduction of grant expenditure. At each reporting date, each recoverable is reviewed for expected credit loss due to uncertainty in future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

The following table summarizes grant expenditure for the years ended 31 December:

	2023	**2022**
By category		
Grants on behalf of Principal Recipients	3,299	2,986
Discounting	(19)	-
Grants on behalf of Principal Recipients, net	*3,280*	*2,986*
Grants for PPM orders	1,161	1,595
Total grants for Principal Recipients	**4,441**	**4,581**
Grants under recovery	(6)	(3)
Strategic Initiatives	162	106
Total grants	**4,597**	**4,684**
Core grant expenditure		
Grants on behalf of Principal Recipients	3,299	2,986
Grants for PPM orders	1,161	1,595
Total undiscounted grants for Principal Recipients	**4,460**	**4,581**

	2023	2022
By disease		
HIV-AIDS (including HIV/TB)	2,156	2,161
Malaria	1,218	1,448
Tuberculosis	800	656
Others (including RSSH and multi-component)	286	316
Total undiscounted grants for Principal Recipients	**4,460**	**4,581**
By region		
Asia (outside High Impact), Europe, Latin America and the Caribbean	373	461
Africa (outside High Impact) and Middle East	1,082	961
High Impact Africa I	891	1,048
High Impact Africa II	1,192	1,348
High Impact Asia	992	763
Total undiscounted grants for Principal Recipients	**4,460**	**4,581**

3.3 Grants payable

The following table summarizes grants payable as at 31 December:

	2023	2022
Grants payable within one year		
Grants payable to Principal Recipients		
- In USD	1,846	2,552
- In EUR	307	439
Net grants payable to Principal Recipients in USD equivalent	2,187	3,022
Strategic Initiatives	41	9
Net grants payable in equivalent USD within one year	**2,228**	**3,031**
Grants payable after one year		
Grants payable to Principal Recipients		
- In USD	252	12
- In EUR	37	-
Net grants payable in equivalent USD after one year	**293**	**12**
Total grants payable in equivalent USD	**2,521**	**3,043**

The long-term portion represents amounts that are due to be disbursed later than one year after the date of the statement of financial position and that are discounted to estimate their present value at this same date. The impact towards discounting of long-term grants payable is disclosed separately in the statement of income for the reporting period *(Note 5.9)*.

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 of their intended future contributions. These announcements are described as pledges. Pledges do not trigger an accounting event for the Global Fund. The first accounting impact is recognized following the conversion of pledges into formal contributions that require further substantive actions to be taken between the Secretariat and the donor.

The table below summarizes the accounting results for contributions based on the accounting principles underlined in this section:

For the year ended 31 December	Opening contributions receivable	Contributions per the statement of income	Discounting	Contributions received per the statement of cash flow	Foreign exchange fluctuation	Contributions receivable on the statement of financial position
NOTE	**4.2**	**4.1**	**5.9**			**4.2**
2023	2,004	6,264	71	4,613	79	3,803
2022	2,429	6,927	(83)	7,142	(125)	2,004

In the following sections, the financial impact of each stage in the donor contribution process has been analyzed in detail:

4.1 Contribution income and revenue recognition

The revenue recognition policy of the Global Fund follows the general principles as detailed in the Conceptual Framework for Financial Reporting. The revenue recognition policy of the Global Fund follows the general principles as detailed in the Conceptual Framework for Financial Reporting. In addition, the Measurement section of IFRS 15 Revenue from contracts with customers is applied to non-current contributions receivable, as described in note 4.2 below.

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.

The management has undertaken a comprehensive evaluation to establish reasonable assurance on the probability of future economic benefits and degree of certainty for future encashments based on donor profile, political engagement and institutional relationship from such donors. For cases where the management concluded there is no substantial conditionality, revenue is recognised for the corresponding value of the signed contribution agreements, discounted where appropriate. Note 4.3 provides further detail on contribution agreements that bear substantial conditionalities. The following table summarizes the source of revenue recognized for the year ended 31 December:

	2023	**2022**
Donor contributions		
Contribution for core activities	6,342	6,970
Contribution for operating expenditure	4	-
Sub-total	*6,346*	*6,970*
Less discounting at the point of revenue recognition	(82)	(43)
Net contributions as per statement of income	**6,264**	**6,927**
By donor category		
Public	5,404	6,647
Foundations	901	284
Product (RED)	16	27
Corporations	17	1
International not-for-profit organizations	5	11
Total	**6,342**	**6,970**
By donor intent		
Unrestricted	6,253	6,879
Restricted	89	91
Total	**6,342**	**6,970**

4.2 Contributions receivable

At initial recognition, contributions receivable are generally recognized at face value. At subsequent reporting periods, they are stated at amortized cost, net of a provision for expected credit losses to cover the risk of future non-payment.

Contributions receivable with due dates later than twelve months after initial recognition are discounted using the applicable discount rate at the date of recognition

Effective 2023, corresponding contributions income is recognized at the discounted amount required by IFRS 15 (comparative amounts in the statement of income have been reclassified). Discounts are released to the statement of income and receivables increased according to the effective interest method.

The latter is presented separately as discounting on long-term financial positions for the reporting period *(Note 5.9)* in the *statement of income*.

The following table summarizes contributions receivable at 31 December:

	2023	**2022**
Contributions receivable within one year	1,816	575
Contributions receivable after one year	1,987	1,429
Total value of contributions receivable	**3,803**	**2,004**
Receivable in 2023	-	575
Receivable in 2024	1,816	466
Receivable in 2025	1,313	402
Receivable after 2025	877	750
Gross contributions receivable	4,006	2,193
Less discount	(203)	(189)
Net present value of contributions receivable	**3,803**	**2,004**

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 detailed review of individual donor credit profile, in-country economic and political situation and other known factors that may potentially have an adverse impact on the future cash receipts. Where the Global Fund determines there to be a collection risk, then an appropriate risk premium is deducted from receivable balances to reflect this risk. For 2023, USD 5 million (2022: USD 34 million) in risk premiums are maintained as provision towards expected credit losses.

Other Receivables

The following table summarizes other receivables as at 31 December:

	2023	**2022**
Grants under recovery, net	24	18
Working capital advance for pooled procurement mechanisms	1	2
Security deposit	10	9
Prepaid expenses for Operating expenses and Strategic Initiatives	10	11
Total	**45**	**40**

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. This includes expected credit losses of USD 14 million given the uncertainty of future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol (2022: USD 13 million).

4.3 Contingent assets

As at the reporting, the Global Fund has USD 169 million (2022: USD 41 million) in signed contribution agreements that are subject to various performance obligations and 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, these contributions 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. In addition to its long-standing relationship with the World Bank, the Global Fund has built relationships with private sector banks to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

The following table summarizes cash and cash equivalents as at 31 December:

	2023	**2022**
Amounts held in commercial banks	43	135

Amounts are 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. Assets held in trust by the World Bank are held in a pooled cash and investments portfolio, hereinafter called "the Pool", established by the Trustee for all trust funds administered by the World Bank Group.

Most financial contributions are received directly by the Global Fund and subsequently held in a trust fund which is administered by the World Bank. The objectives of the investment portfolio strategy are to maintain adequate liquidity to meet foreseeable cash flow needs, preserve and optimize investment returns. The movement in fair value of funds held in trust is recognized in the Statement of Income. The cash is invested by the World Bank in accordance with the Investment Framework of the Global Fund, as approved by its Audit and Finance Committee.

All disbursements out of the Trust Fund require authorization from the Global Fund. In accordance with the terms of the Trust Fund Agreement, as amended from time to time, between the Global Fund and the World Bank, the Global Fund is the beneficial owner of the funds, assets and receipts that constitute the Trust Fund. The agreement may be terminated at any time by either party on a 90-day written notice with all funds, assets and receipts reverting to the Global Fund upon termination. 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.

As of 31 December 2023, the Pool had a fair value measurement of USD 45,026 million (2022: USD 42,744 million) as confirmed by the World Bank. The share of the Global Fund assets held in the Pool is 11.14%. The following table reflects the asset allocation in the Pool:

Types of financial instruments	**2023**	**2022**
Government and agency obligations	58%	68%
Time deposits and money market securities	25%	20%
Asset-backed securities	13%	9%
Equity securities	4%	3%
Total	**100%**	**100%**

Fair value of financial instruments held in Pool

The Trust Fund's assets consist of its share of cash and investments in the Pool. The Pool is actively managed and invested in accordance with the investment strategy established for the respective trust funds. The objectives of the investment strategy are foremost to maintain adequate liquidity to meet foreseeable cash flow needs and preserve capital and then to maximize investment returns. The Trust Fund's share in the Pool is not traded in any market; however, the underlying assets within the Pool are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If an active market exists, the market price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data at the reporting date, are used instead. All investment decisions are made, and performance is monitored at the Pool level. The fair value amount of the Trust Fund's share of the cash and investments in the Pool at the end of each reporting period is also disclosed.

The International Bank for Reconstruction and Development, IBRD, on behalf of the World Bank Group, has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently sourced market parameters such as yield curves, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits, money market securities, asset-backed securities, equity securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

The techniques applied in determining the fair values of financial instruments are summarized below.

Government and agency obligations, asset-backed securities and equity securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations, asset-backed securities, and exchange-traded equity securities. For securities for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally generated or vendor-supplied, that include discounted cash flow method using market observable inputs such as yield curves, credit spreads, prepayment speeds, foreign exchange rates, and funding spreads.

Time deposits and money market securities

Unless quoted prices are available, time deposits and money market securities are reported at face value, which approximates fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements.

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at face value, which approximates fair value.

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps, and contracts to purchase or sell to-be-announced securities. Derivatives are valued using model-based valuation techniques which include discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Fair valuation hierarchy

The Trustee undertakes a fair valuation of the financial instruments held in the shared pool of cash and investments. The fair value measurements are categorized based on the inputs to the valuation techniques as follows (in the order of priority placed on the inputs):

- Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets;

- Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the instrument; and
- Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Trust Fund's financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety.

Given that the Trust Fund's share in the Pool is not traded in any market it qualifies as a Level 2 asset given the observability and significance of the fair values of the underlying instruments and the fact that no adjustments for rights and obligations inherent with regard to ownership or frequency at which the organization can redeem its interest exists.

The following table shows the Trust Fund's share of financial instruments held in the Pool recognized at fair value, categorized between levels 1 and 2:

At 31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Government and agency obligations	1,455	1,483	-	2,938
Asset and mortgage-backed securities	-	666	-	666
Equity	201	-	-	201
Time deposits	253	994	-	1,247
Repurchase/ resale agreements	-	(1)	-	(1)
Derivatives, net	-	(4)	-	(4)
Sub-total:	**1,909**	**3,138**	**-**	**5,047**
Cash, receivables & payables	-	-	-	(30)
Total	**1,909**	**3,138**	**-**	**5,017**

At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Government and agency obligations	1,943	1,968	-	3,911
Asset and mortgage-backed securities	-	493	-	493
Equity	196	-	-	196
Time deposits	290	884	-	1,174
Repurchase/ resale agreements	-	(33)	-	(33)
Derivatives, net	1	(6)	-	(5)
Sub-total:	**2,430**	**3,306**	**-**	**5,736**
Cash, receivables & payables	-	-	-	7
Total	**2,430**	**3,306**	**-**	**5,743**

The following table shows a comparative view of the Trust Fund and the cumulative value of the Shared Pool of cash and investments:

At 31 December 2023	Shared Pool of cash and investments	Trust Fund	% share
Level 1	12,229	1,909	15.61
Level 2	33,338	3,138	9.41
Level 3	-	-	-
Sub-total	45,567	5,047	11.07
Cash, receivables & payables	(540)	(30)	
Total	**45,027**	**5,017**	**11.14**

At 31 December 2022	Shared Pool of cash and investments	Trust Fund	% share
Level 1	14,882	2,430	16.33
Level 2	28,092	3,306	11.77
Level 3	-	-	-
Sub-total	42,974	5,736	13.35
Cash, receivables & payables	(230)	7	
Total	**42,744**	**5,743**	**13.44**

5.3 Provident Fund Investments

The Global Fund Provident Fund ("Provident Fund") is established as a segregated fund within the Global Fund with an autonomous governance structure. The Provident Fund does not have separate legal personality from the Global Fund. The assets of the Provident Fund are invested for the purpose of the investment policy of the Provident Fund in accordance with the principles and responsibilities established in the Constitutional Declaration and Benefits Rules, as may be amended from time to time, and under article 6 of the Provident Fund Management Board Charter.

The Management Board through its Investment Committee makes the investment decisions for the Provident Fund assets. The Investment Committee has appointed an investment advisor, through which the Investment Committee has an established control framework to monitor the investment performance and fair valuation of the investment portfolio. The Provident Fund assets are managed by institutional fund managers in diversified global equity, bond and real estate funds. Funds are regulated, open-ended investment funds. The Management Board has appointed a custodian for all Provident Fund investments.

There is a regular review of potential significant unobservable inputs and valuation adjustments as reported by the investment advisor. The respective investment managers are individually responsible for the fair valuation and performance measurement of their respective investment categories. The custodian collates the investment performance and fair valuation reporting monthly. Any significant valuation issues are reported separately. The investment advisor oversees all fair value measurements, including potential Level 3 fair values, and reports to the Investment Committee and the Management Board. When measuring the fair value of an asset or a liability, the investment advisor uses observable market data as far as possible.

The Provident Fund investments are classified upon initial recognition as financial assets and at fair value through profit & loss ("FVTPL"), with any gains or losses arising on re-measurement recognized in the statement of income.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as outlined in Note 5.2 above. The following table provides the fair valuation hierarchy of the Provident Fund investments:

At 31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Total Provident Fund investments	**108**	**182**	**-**	**290**
Equity	49	17	-	66
Bonds	59	105	-	164
Real estate	-	60	-	60

At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Total Provident Fund investments	**64**	**171**	**-**	**235**
Equity	20	32	-	52
Bonds	44	85	-	129
Real estate	-	54	-	54

The Provident Fund investments are held in Swiss Francs (CHF). During 2023, USD 7.5 million was reported in net fair valuation gains on Provident Fund investments (2022: USD 24.6 million, net fair valuation loss).

5.4 Financial risk management objectives and policies

The Global Fund has various financial assets, such as cash and cash equivalents, Trust Fund, Provident Fund assets, contribution receivables, other receivables and derivative financial instruments. The main financial liabilities comprise grants payable, accrued expenses, lease liability and derivative financial instruments.

The main risks arising from these financial assets and liabilities are market and liquidity risks, which are summarized below. A detailed description of financial risk management on the Trust Funds is being reported given the materiality of the investments held. Similar risk management and oversight is done for Provident Fund investments and other financial assets and liabilities.

These risks are managed through a defined Treasury procedure. Compliance with these policies is monitored by the Treasurer and regular financial reporting is provided to the Global Fund Board through the Audit and Finance Committee, its standing committee on financial matters.

The Trust Fund assets held in the Shared Pool of cash and investments are exposed to market, credit and liquidity risks. There has been no significant change during the financial year to the class of financial risks faced by the Trust Fund or the Trustee's approach to the management of those risks. The exposure and the risk management policies employed by the Trustee to manage these risks are discussed below:

Market risk- The risk that the value of a financial instrument will fluctuate because of changes in market prices, currency rates or changes in interest rates. The Trust Fund is exposed to market risk, primarily related to foreign exchange rates and interest rates. The Trustee actively manages the Pool to minimize the probability of incurring negative returns over the applicable investment horizon.

i. Interest rate risk

The interest rate risk of the Trust Fund and Provident Fund assets are assessed and managed as part of each respective performance monitoring framework (refer to note 5.2 and 5.3 respectively).

The Trustee uses a value at risk (VaR) computation to estimate the potential loss in the fair value of the Pool's financial instruments with respect to unfavourable movements in interest rate and credit spreads. Value at Risk is a statistical technique used to measure and quantify the level of financial risk over a specific period. It is measured in three variables: the amount of potential loss, the probability of that amount of loss and the period over which such potential loss could occur based on its probability. The VaR is measured using a parametric/analytical approach. It assumes that the movements in the market risk factors are normally distributed. In constructing the covariance matrix of market risk factors, a time decay factor is applied to weekly market data for the past three years with an exponential decay factor of 0.97. The covariance-variance matrix also includes the equity factor, where equity factor volatility is based on equity index returns. This approach considers three years' historical market observations, while giving more weight to recent market volatility.

The VaR of the Trust Fund's share of the portfolio over a twelve-month horizon, at a 95% confidence level as of 31 December 2023 is estimated to be USD 97 million (2022: USD 82 million).

ii. Currency risk

The risk that the value of a financial instrument will fluctuate because of changes in currency exchange rates when there is a mismatch between assets and liabilities denominated in any one currency. The currency risk covers all categories of financial instruments that carry non-USD financial positions. Note 5.5 on foreign exchange exposures provides an overview of the net position of major currencies holdings.

The Trust Fund's currency risk arises from the portion of cash and investments in the Pool that are denominated in currencies other than in USD. In accordance with the Trust Fund Agreement and/or the instructions from the Global Fund, the Trustee maintains the Trust Fund's share of cash and investments in the Pool in USD and EUR. Cash contributions received are converted into USD on receipt, except when the Global Fund instructs the Trustee to hold selected cash contributions received in EUR. Given the insignificant portion of Trust Fund assets held in EUR, there would be no material impact on the statement of income and statement of changes in funds from fluctuations in exchange rates as of 31 December 2023 and 2022.

iii. Credit risk/counterparty risk

The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk can be mitigated by limiting the amount of credit exposure to any individual issuer. Changes in the creditworthiness of an issuer can negatively impact the price of the securities. The portion of the investments held in securities that are rated below investment grade will be subject to a greater risk of default.

The Global Fund's maximum exposure to credit risk in relation to cash and bank balances, Provident Fund fixed income investments and contributions receivable is the carrying amount of those assets as indicated in the statement of financial position. In respect of funds held in the Trust Fund the Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements with counterparties. The Trustee identifies concentrations of credit risk based mainly on the extent to which the cash and investments in the Pool are held by an individual counterparty. The concentration of credit risk with respect to the Pool of cash and investments is limited because the Trustee has policies that limit the amount of credit exposure to any individual issuer.

The Trustee invests in liquid instruments such as time deposits and money market securities, government and agency obligations, and mortgage-backed securities and derivative contracts. The Trustee limits investments to those financial instruments with minimum credit ratings at the time of the purchase in the U.S. markets or equivalent as follows:

- Time deposits and money market securities: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-;
- Government and agency obligations: issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-;
- Asset-backed securities: minimum rating must be AAA; and
- Derivatives: counterparties must have a minimum rating of A-.

The following table presents the investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories at December:

Counterparty credit ratings	2023	2022
AA or greater	71%	66%
A- or greater	100%	100%

Liquidity risk- Liquidity is an indicator of how easily an investment may be converted into cash. An investment may be less liquid if it is not widely traded or if there are restrictions imposed by the exchange or the issuer. For the Global Fund, the risk is that the entity will encounter difficulty in raising liquid funds to meet its commitments. All the financial liabilities are payable based on the credit terms agreed with the suppliers in the underlying contractual agreements that are mostly short term. The Global Fund makes commitments for operating expenditure budget, trustee fees and grants only if there are sufficient underlying assets. Long term financial liabilities are settled mostly between one and two years.

Economic risk- In addition to the financial risks outlined on the financial assets and liabilities the Global Fund is also exposed to the economic risk on its off-balance sheet positions denominated in currencies other than USD. These mainly include pledges, allocated amounts, signed grant amounts that have not had a subsequent annual funding decision and approved operating expenditure budgets over the allocation period.

Hedging strategy

The Global Fund maintains a dynamic hedging strategy to preserve the net value of assets and liabilities against fluctuations of currency values and ensures the amounts from contributions and grants keep their economic value throughout their relevant periods of utilization.

The hedging strategy aims at preserving the economic value of future cash flows and as such the Global Fund does not apply hedge accounting principle. The general principles of hedging are outlined below:

i. Role of hedging: reduce volatility of FX effects on the asset-liability model, i.e., from starting point of the replenishment; and

ii. Hedging should produce FX effects in a direction opposite to FX effects before hedges.

Under the guidance of the hedging principles, hedgeable exposures are determined as FX risks net of adjustments taken due to the uncertainty of the underlining amount and timing of inflows and outflows of funds. This includes:

i. Discount factor on donor contributions

ii. Discount factor on grants and other uses of funds

iii. Any other uncertainty factor

The FX risk limit is measured through VaR with a 99% probability on a monthly basis. The VaR limit follows a two-risk metrics for the hedging strategy:

a. From the net FX exposure off-balance-sheet: a minimum of 50% of the resulting VaR (exposure at risk) shall be covered by the hedging strategy (i.e., VaR metric at maximum 50% of the VaR arising); and

b. From the net FX exposure on-balance-sheet: a minimum of 75% of the resulting VaR (exposure at risk) shall be covered by the hedging strategy (i.e., VaR metric at maximum 25% of VaR arising).

The risk metrics is reported under one combined VaR limit.

5.5 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 in currencies other than USD and grants payable denominated in EUR are retranslated at the rates prevailing at that date. The currency risk associated with the foreign exchange exposure, both financial and economic, has been detailed in Note 5.4 above. The Global Fund regularly undertakes the sensitivity analysis for each currency in which it holds significant exposure. The significant foreign currency exposures include Australian Dollars (AUD), Canadian dollars (CAD), Swiss Francs (CHF), Danish Krone (DKK), Euros (EUR), Pound Sterling (GBP), Swedish Krona (SEK), and Norwegian Krone (NOK).

The following table outlines the net foreign currency exposures for these key currencies:

	As at 31 December 2023			As at 31 December 2022		
Currency	**Net FX exposure in nominal value**	**Hedges at nominal value**	**% hedge ratio**	**Net FX exposure in nominal value**	**Hedges at nominal value**	**% hedge ratio**
AUD	239	239	100	241	242	100
CAD	808	806	100	1,312	1,310	100
CHF	(324)	(330)	102	(540)	(455)	84
DKK	375	375	100	375	375	100
EUR	860	849	99	1,530	1,106	72
GBP	100	94	93	1,051	998	95
SEK	1,850	1,850	100	2,700	2,700	100
NOK	1,574	1,574	100	2,000	2,000	100

The Global Fund undertakes the sensitivity analysis based on a percentage change in exchange rates over immediately preceding three financial years. The Global Fund actively manages its foreign currency exposure through derivative financial instruments as described in Note 5.4. As a result of the high hedging ratio, there would be no material impact towards the unhedged exposure on the statement of income and statement of changes in funds of a strengthening or weakening of non-USD currencies as at 31 December 2023 and 2022.

The following table summarizes exchange rates per USD for major currencies in which the Global Fund held financial positions on 31 December:

				Average FX Rates	
Key foreign currencies	**2023**	**2022**	**% fluctuation**	**2023**	**2022**
AUD	0.6811	0.6814	0	0.6647	0.6956
CAD	0.7549	0.7380	2	0.7406	0.7678
CHF	1.1881	1.0815	10	1.1133	1.0524
EUR	1.1037	1.0704	3	1.0824	1.0586
GBP	1.2731	1.2098	5	1.2443	1.2413
SEK	0.0993	0.0959	4	0.0946	0.0996
NOK	0.0984	0.1021	(4)	0.0952	0.1049

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

5.6 Foreign exchange risk management

The Global Fund has implemented a strategy to mitigate the foreign exchange fluctuation risks as follows:

- Maximize the natural hedge of currency holdings by matching assets and liabilities by currency; and
- Monitor volatility and exposure by currency and engage in active hedging with levels of 50% to 100% through approved financial instruments.

Most of the contribution receipts to the Trust Fund are denominated and predominantly held in USD. However, a portion of funds are held in EUR to maintain a natural hedge for grant and other liabilities denominated in EUR. In addition, cash in EUR and CHF are held at a commercial bank to cover the operating expenses of the following year. Other currency balances are maintained for short time intervals in line with the cash management policy. The following table outlines the cash balances held in currencies other than USD in the source currency of cash holding:

As at 31 December	**2023**	**2022**
Amounts held in CHF	20	19
Amount held in EUR	11	66

The Global Fund uses derivative financial instruments, notably forwards and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. These financial instruments are used by the Global Fund to mitigate foreign exchange risk and are recognized at fair value with subsequent movements in value reported through the statement of income. The following tables present the notional value and the fair value of derivative financial instruments by settlement date and by currency:

BY SETTLEMENT DATE

As at 31 December	**2023**	**2022**
Assets, settlement within 12 months	29	69
Liabilities, settlement within 12 months	(104)	(268)
Net liability for derivative financial instruments at fair value	**(75)**	**(199)**

BY CURRENCY

As at 31 December 2023

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	239	(7)
CAD	806	(13)
CHF	(330)	19
DKK	375	(1)
EUR	849	(37)
GBP	94	(18)
NOK	1,574	(7)
SEK	1,850	(11)
Net liability for derivative financial instruments at fair value		**(75)**

As at 31 December 2022

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
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)
Net liability for derivative financial instruments at fair value		**(198)**

The fair value of derivative financial instruments is provided by the counterparty bank and based on price models using observable exchange rates, described as Level 2 in the fair value hierarchy.

5.7 Foreign exchange accounting

Foreign exchange gains or losses on non-USD positions are reported in the statement of income for the years ended 31 December were as follows:

	2023		2022	
By currency	**Before derivative instrument**	**After derivative instrument***	**Before derivative instrument**	**After derivative instrument***
AUD	-	2	(4)	(6)
CAD	17	(2)	(20)	(5)
CHF	(3)	21	(1)	10
EUR	29	1	(28)	(231)
GBP	9	(49)	(45)	(31)
SEK	4	2	(13)	(17)
NOK	16	27	(5)	(13)
Others	8	8	(1)	(5)
Total	**80**	**10**	**(117)**	**(298)**

* Including on and off-balance sheet items

	2023	**2022**
By net position		
Net foreign exchange gain/ (loss) on assets	15	(302)
Net foreign exchange (loss)/ gain on liabilities	(5)	4
Total: Net foreign exchange gain/ (loss)	**10**	**(298)**

5.8 Financial income, net

The investment of financial assets in the Trust Fund provides an investment return in line with the risks highlighted previously. The investment returns and related financial costs, are summarized in the table below:

	2023	**2022**
Trust Fund gains/ (losses), net	284	(70)
Financial costs	(4)	(3)
Total	**280**	**(73)**

The following tables provide a detailed view of the composition of Trust Fund gains/ (losses):

For the financial year ended 31 December 2023	Realized	Unrealized	Total
Investment gains	166	139	305
Investment losses	(19)	(3)	(22)
Total	**147**	**137**	**284**

For the financial year ended 31 December 2022	Realized	Unrealized	Total
Investment gains	133	8	141
Investment losses	(35)	(176)	(211)
Total	**98**	**(168)**	**(70)**

5.9 Discounting of long-term financial positions

By financial position	2023	2022
Contributions receivable	71	(84)
Grants payable	(1)	1
Total	**70**	**(83)**

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure to deliver its mission. The Global Fund Board approves an annual budget for operating expenses. All expenses are monitored and reported on a periodic basis to the Board through its Audit and Finance Committee.

The following table summarizes the Global Fund's operating costs under the main categories of expenditure for the years ended 31 December:

	2023	2022
Workforce costs	245	215
External assurance	55	57
Professional fees	40	39
Others	60	63
Total Secretariat costs	**400**	**374**
Provident Fund valuation	(10)	25
Total	**390**	**399**

Total Secretariat costs include USD 4.2 million (2022: nil) for which donor contributions have been received to fund designated activities *(Note 4.1)*. These costs are towards designated private sector donor funded projects and as such these are not funded out of the Secretariat's regular operating expense budget.

Workforce costs include the regular human resources costs and compensation for individual and agency consultants who are engaged for specific projects and/or as surge capacity associated with the delivery of the Global Fund's mission. This includes USD 228 million (2022: USD 198 million) in employee benefits expense in accordance with the applicable human resource requirements. A notional internal taxation amount of USD 32 million has been calculated on the reported staff costs (2022: USD 26.0 million). No Swiss tax is paid by the Global Fund, nor by the employees, on Global Fund employment income, in accordance with the Headquarters Agreement with the Swiss Federal Council. At 31 December 2023, there were 1,140 staff personnel (2022: 1,075) employed by the Global Fund.

The external assurance costs include Local Fund Agent fees representing service costs incurred by the Global Fund to assess the in-country capacity prior to and during grant negotiation in addition to monitoring implementation of funded programs as grants are disbursed to Principal Recipients.

Professional fees represent the engagement cost of external consultants, technical partners and professional firms in providing management and technical services as needed by the Global Fund.

Other operating expenses include operating costs for Secretariat travel, meetings, communication materials, depreciation of right of use asset and maintenance, depreciation, and disbursements for Country Coordinating Mechanisms (CCMs) and Board Constituencies.

6.2 Employee benefit liabilities

The Global Fund maintains a Provident Fund for the purposes of providing retirement, death and disability benefits to its employees and their qualifying dependents and beneficiaries. The Provident Fund is the same legal entity as the Global Fund. It is a segregated fund with an autonomous governance structure. Consequently, the assets in the Provident Fund are disclosed within non-current assets in the statement of financial position and do not qualify as pension plan assets under IAS 19.

The assets of the Provident Fund are received, invested and disbursed wholly and exclusively for the purposes of the Provident Fund and in accordance with the investment strategy established by the Provident Fund Management Board with the approval of the Audit and Finance Committee.

The Provident Fund provides retirement, death and disability benefits for the employees of the Global Fund and their qualifying dependents and beneficiaries. The cost of the plan is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates, employee rotation and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, estimates relating to pension, and other post-employment benefits are highly sensitive to changes in these assumptions, all of which are reviewed at each reporting date as described below.

Actuarial valuation of defined benefit obligation

The measurement of net defined benefit liability requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of actuarial assumptions. Given the unfunded status of the Provident Fund as outlined above, the actuarial valuation does not include any plan assets.

The actuarial valuation of the defined benefit obligation for the Provident Fund scheme administered by the Global Fund is reported in the following table:

Change in benefit obligation	**2023**	**2022**
Benefit obligation at beginning of year	244	252
Current service cost	35	40
FX translation impact	25	(4)
Interest cost	6	1
Actuarial loss/ (gain)	36	(28)
Benefits paid from plan/company	(19)	(14)
Premiums and expenses paid	-	(2)
Benefit obligation at end of year	**327**	**244**

Current service cost: Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

FX translation impact: The Global Fund employment costs and defined benefits obligations are administered in CHF and translated to USD for the reporting purposes in the financial statements. Translation costs represent the exchange rate difference arising on the re-measurement of the opening balance of defined benefit obligation administered in CHF in equivalent USD at the end of the current reporting period.

Components of actuarial loss/ (gain)	**2023**	**2022**
a. Effect of changes in demographic assumptions	1	-
b. Effect of changes in financial assumptions	37	(39)
c. Effect of experience adjustments	(2)	11
Total actuarial valuation recognized in other comprehensive income	**36**	**(28)**
Total defined benefit cost recognized in the statements of income and other comprehensive income	77	12
Principal actuarial assumptions		
Weighted-average assumptions to determine benefit obligations on 31 December		
Discount rate	1.50	2.30
LPP interest rate	1.00	1.00
Weighted-average assumptions to determine pension expense for the year ended		
Discount rate	2.30	0.30
LPP interest rate	1.00	1.00
Sensitivity analysis on defined benefit obligation		
Discount rate -25 basis points	337	248
Assumption	1.25	2.05
Discount rate +25 basis points	318	244
Assumption	1.75	2.55
Mortality assumptions	BVG 2020 CMI 1.25%	BVG 2020 CMI 1.25%
Other required disclosure amounts		
Contributions expected to be paid to the plan during the annual period beginning after the reporting period	19	21
Average duration of the plan liabilities (in years)	13	10

6.3 Other current liabilities

	Note	**2023**	**2022**
Provisions and accrued expenses for operating expenditure		50	52
Accounts payable for operating expenditure		9	10
Deferred contributions		8	5
Current lease liability		8	7
Total		**75**	**74**

Section 7: Other disclosures

7.1 Related party transactions

Related parties include the members of the Board, Board committees, key management personnel and their close family members.

An honorarium is paid to the independent members to the standing committees of the Board in accordance with the Honorarium Framework approved by the Global Fund Board (GF/B48/EDP01). Under this framework, the Chair and the Vice-Chair of the Board and the standing committees of the Board are also entitled to receive honoraria as per Board's decision. All other transactions with the Board and its committees are made at terms equivalent to arm's length transactions and within the operational framework of the Secretariat. During 2023, an aggregate of USD 205,760 (2022: USD 148,500) was incurred to the eligible Board and Committee members as honoraria for their governance services performed during the year. There was no loan to or from related parties outstanding as at 31 December 2023 (2022: nil).

Compensation of key management personnel: key management, in common with all personnel employed by the Global Fund, are remunerated according to the Global Fund salary scale. Remuneration consists of salary, allowances and employer contributions towards Provident Fund and health insurance benefits. The remuneration of key management, comprising the Executive Director, members of the Management Executive Committee and the Inspector General, amounted to:

Remuneration category	2023	2022
Short-term benefits including salary and allowances	5.4	4.7
Long-term benefits including contributions to the Provident Fund	1.1	0.8
Total remuneration to key management personnel	**6.5**	**5.5**

7.2 Taxation

As an international organization with privileges and immunities, the Global Fund has received tax exemptions from Switzerland and the United States, as well as certain grant implementing countries.

7.3 Unrestricted and temporarily restricted funds

All contributions received where the application of funds is limited by statutory restrictions, donor-imposed purpose or time restrictions, have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

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