



The Global Fund/Yousuf Tushar/Panos

2024 INTERIM FINANCIAL REPORT

30 JUNE 2024

LE GRAND-SACONNEX, SWITZERLAND



Contents

1. Operational highlights	3
2. Financial highlights	5
CONDENSED INTERIM FINANCIAL STATEMENTS	9
Interim statement of income (unaudited)	11
Interim statement of comprehensive income (unaudited)	11
Interim statement of financial position (unaudited)	12
Interim statement of cash flow (unaudited)	13
Interim statement of changes in funds (unaudited)	14
Notes to the condensed interim financial statements	17

1. Operational highlights

1. Key highlights

The Global Fund anticipates record disbursements during the financial year 2024. This marks an unprecedented pace of investment in resilient and sustainable systems for health (RSSH) as reflected in the grant expenditure for the six months ended 30 June 2024. One of the most important issues for the Board and the Secretariat is ensuring sustainability of the work achieved so far if global funding for programs to address HIV, TB, malaria and health systems strengthening were to be reduced. Besides ensuring strong and steady fiscal health, the Global Fund partnership continues its unwavering commitment to human rights and gender equality, in the face of alarming erosion. The comparative advantage of the Global Fund and the inclusive nature of its engagement is vital to the Global Fund partnership's ability to end the three diseases by 2030.

At its 51st Meeting in April 2024, the Global Fund Board endorsed the establishment of a joint committee working group to enhance collaboration and coordination with Gavi, the Vaccine Alliance, and the Global Financing Facility (GFF).

The Board has approved the extension of the term of the Executive Director, Peter Sands, until the end of 2026 or the commencement of the term of the next Executive Director, if sooner. The extension will provide continuity of leadership through the Eighth Replenishment and allow for a robust selection process for the next Executive Director. For the remaining part of the year, the Secretariat will focus on accelerating implementation of grants under Grant Cycle 7 and the COVID-19 Response Mechanism (C19RM) and mobilizing preparations for the Eight Replenishment in 2025.

2. Grant Funding

The Board approved an allocation of USD 13.5 billion towards HIV, TB, malaria and RSSH programs for the period 2020-2022 under Grant Cycle 6 (GC6). Over 70% of GC6 grants entered their final year of implementation in 2023 and are due for closure by the end of 2024. On the execution front, GC6 HTM grants report strong performance with 85% in-country absorption based on latest validated expenditure reports at 31 December 2023, exceeding the Board target of 75%. The Secretariat is set to achieve the absorption targets by the end of full reporting for the 2020-2022 allocation period within +/-4% margin.

2024 is the first year of implementation for Grant Cycle 7 (GC7), for which the Board approved an allocation of USD 11.6 billion towards HIV, TB, malaria, and RSSH programs for the 2023-2025 allocation period.

The COVID-19 pandemic had a catastrophic impact on the most vulnerable communities around the world and threatened the progress against HIV, TB and malaria. The Global Fund, the largest multilateral funder of health systems worldwide, provided total funding of up to USD 5 billion, including grant flexibilities, C19RM 2020 and C19RM 2021, to help countries fight COVID-19, to mitigate the impacts on lifesaving HIV, TB and malaria programs, and prevent fragile health systems from being overwhelmed.

In April 2020, the Global Fund Board approved the establishment of the C19RM with an initial allocation of USD 500 million. In addition, a total of USD 4.5 billion in donor pledges (inclusive of both C19RM 2020 & 2021 mechanism) was made available by 30 June 2023.

The Global Fund responded quickly to procurement needs and demand for HTM mitigation based on a solid organizational infrastructure, speed and agility in deployment of funds. C19RM support allowed countries to

have timely and secure access to COVID-19 diagnostics, PPE and oxygen. Investments in HTM mitigation allowed for rapid recovery across key programmatic areas. Urgent investments in health systems and centrally managed limited investments (CMLIs) further supported strengthening longer term investments.

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

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

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

3. Replenishment update

Under its replenishment mechanism, the Global Fund convenes donors, implementing partners and other key stakeholders at a Replenishment Pledging 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 partners to establish long-term plans for fighting the three diseases. The Pledging Conference for the Global Fund's Seventh Replenishment (2023-2025), hosted by President Joe Biden of the United States of America, took place between 18 and 21 September 2022 in New York.

Ongoing resource mobilization efforts

As of 30 June 2024, the Global Fund partnership has secured commitments from 50 public and 31 private sector donors for a total of USD 15.685 billion announced pledges for the 2023-2025 replenishment period, out of the target of at least USD 18 billion set in the Seventh Replenishment Investment Case. This includes additional pledges of USD 16 million announced since the initial allocation was approved by the Global Fund Board in November 2022.

While efforts to secure additional pledges continue throughout the current replenishment cycle, the Secretariat's primary focus is to ensure that existing 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

As of 30 June 2024, USD 5.4 billion, 40% of adjusted pledges from the Seventh Replenishment have been received in cash, (30 June 2021; Sixth Replenishment: USD 4.9 billion, 29%). The Global Fund has signed

agreements with 80% (65 of 81) of donors, the highest proportion of donor contribution agreements signed within the first eighteen months of the replenishment cycle.

Conversion of adjusted pledges for the Sixth Replenishment cycle (2020-2022) has been successful with 99% (USD 17.5 billion) already received in cash with expectation to reach 100% by the end of 2024.

Conversion of the outstanding Seventh Replenishment pledges remains a priority for the Secretariat and continues to be actively pursued, with the aim of fully converting the remaining adjusted pledges for both cycles.

Accelerating Preparations for the Eighth Replenishment

The Eighth Replenishment campaign, which will aim to secure donor pledges for the 2026-2028 period, will be launched in early 2025 with the release of the Investment Case and a Preparatory Meeting and will culminate at a Pledging Conference in the second half of 2025.

Building on lessons learned from the Seventh Replenishment, the Global Fund is accelerating Eighth Replenishment preparations throughout 2024 by:

- Securing replenishment hosts
- Developing a technically robust and compelling Investment Case
- Developing public and private sector donor engagement and resource mobilization strategies that are responsive to the complex and volatile environment
- Mobilizing and expanding advocacy support for the Global Fund
- Designing and ramping up an overall communications campaign strategy
- Cultivating and deepening key partnerships and alliances across the health and development ecosystem.

2. Financial highlights

Financial year 2024 is the first year of in-country implementation under the 2023-2025 allocation period. Simultaneously, the Secretariat continues grant closure activities under the previous 2020-2022 allocation period. It is also the second year of Seventh Replenishment wherein a majority of the pledges were announced, and contribution agreements were signed in FY 2023. The interim financial statements as at and for the six months ended 30 June 2024 accordingly reflect the seasonality of the operational activities related to grant implementation and donor contributions. When compared with the financial position as at 31 December 2023, the condensed interim statement of financial position shows a 43 % decrease in funds during the first six months of 2024. The asset base has decreased by 11 % which includes a USD 0.3 billion, 6 % decrease in operational cash held at the Trust Fund and commercial banks, driven by USD 2.2 billion of grant disbursements. On the other hand, the grant liabilities have increased by 72% , USD 4.3 billion from USD 2.5 billion at 31 December 2023 with USD 4 billion in grant expenditure. This significant increase in grant expense and liability, is linked to the commitments for the new implementation period and acceleration of commitments for C19RM funds, for which the current Board-approved implementation will end by 2025. As at the reporting date, the Global Fund holds USD 6.2 billion in current assets including USD 4.7 billion in operational cash at commercial banks and in Trust Fund managed by the World Bank as Trustee and USD 1.4

billion in contributions receivable from donors within 12 months. When compared with the current liability of USD 4.3 billion towards grants and operating expenses, the net current position stands at USD 1.9 billion.

The revenue from donor contributions increased by 1.6% over the 2023 half-year financial year results. 24% of half-year contributions is towards successful conversion and encashment of pledges under the Sixth Replenishment. Encashments from donor contributions are largely in line with the underlying donor agreements.

Key progress on the following core financial components achieved during the first half year of 2024 has been analysed below:

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

1. Financial management framework

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

The Global Fund Foreign-Exchange (FX) Management Framework was designed for the effective management of FX exposures arising from all components of the Global Fund’s ALM framework, as envisaged in the Comprehensive Funding Policy. This includes on-balance sheet items, as well as future assets and liabilities pending the signature and recognition of contribution agreements and grant funding decisions (off-balance sheet items) and other expenses, respectively. The hedging of both on- and off-balance sheet items is made at portfolio level and controlled with specific risk metrics utilizing value-at-risk (VaR). FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance sheet items, i.e., on assets and liabilities, as well as FX effects on off-balance sheet items, which are not reported in the profit and loss accounts. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

For the half-year ended 30 June 2024, we report USD 2 million of net accounting foreign exchange loss on on-balance sheet items including fair valuation of foreign exchange hedges. From an ALM perspective, the following table provides an overview of the net FX results as at 30 June 2024:

<i>Amount in USD millions</i>	FX Before hedges	FX on Hedges	Net FX results
<i>Accounting FX results (on-balance sheet)</i>	(48)	46	(2)
<i>Economic FX results (off-balance sheet)</i>	4	-	4
Net FX results to 30 June 2024	(44)	46	2
<i>Net FX results to 30 June 2023</i>	36	(32)	4

In the period under consideration, the currencies, other than the U.S. dollar, in which the Global Fund's assets and liabilities are denominated moderately depreciated in value against the Global Fund's functional currency, the U.S. dollar. As the Global Fund has a "long" position before hedges in currencies other than the U.S. dollar, this led to moderate negative FX results before hedges.

In the period under consideration, the Global Fund's FX management activities successfully reduced the amplitude of FX results, in an environment of moderate FX volatility. As global foreign exchange markets are inherently volatile FX results could still be potentially negatively affected in the second half of 2024.

In the first half of 2024, short-term USD interest rates remained high, while equity markets continued to show positive performance. In this market environment, the Trust Fund investment performance was positive in most asset classes in which the Global Fund assets are invested, covering cash, fixed income and equities. Overall, the net result on the investment portfolio of assets held by the World Bank as a Trustee was a gain of USD 130 million in the first half of 2024 (2023: USD 150 million net gain).

2. Donor pledges and contributions

The net revenue recognized during the first six months of 2024 was slightly higher at 1.6%, compared to the first six months of 2023 at USD 1,370 million (2023: USD 1,349 million). The encashment of all outstanding contributions receivable is on track.

The contribution income of USD 1,370 million included:

- USD 1,344 million from sovereign donor governments (2023: USD 1,316 million);
- USD 14 million from foundations (2023: USD 13 million);
- USD 10 million from Product (RED) (2023: USD 12 million); and
- USD 2 million for Opex Co-funding (2023: nil).

3. Grant commitments and disbursements

The main elements of the Global Fund grant expenditure of USD 4,012 million (2023: USD 1,462 million) during the first half of 2024 included:

- USD 3,983 million as grant commitments to Principal Recipients for in-country and pooled procurement mechanism (PPM) activities (2023: USD 1,398 million);
- USD 38 million as Strategic Initiatives project expenses (2023: USD 67 million), and
- USD (9) million as Grants under recovery (2023: (3) million)

Key financial highlights for grant activities during the first semester of 2024 are outlined below:

- When measured at the respective allocation rates, 2024 grant expenses for the first half of 2024, including C19RM amounted to USD 3,951 million (2023 first semester: USD 1,404 million). This increase versus the first semester of 2023 was expected given that 2024 is the first year of implementation for grants under the 2023-2025 allocation period.
- HTM (including C19RM 2020): when measured at the respective allocation rates, actual grant disbursements for the first half of 2024 for the grant portfolio amounted to USD 1,843 million, of which USD 663 million was for previous cycles and USD 1,180 million for GC7 cycle.
- C19RM 2021: when measured at the respective allocation rates, actual grant disbursements during the first semester of 2024 for the grant portfolio amounted to USD 306 million.

4. Operating expenses

At spot rate, during the first half-year of 2024, the Global Fund spent USD 188 million on Secretariat operating expenses (2023: USD 182 million), of which USD 19 million relates to C19RM Management and Operating cost (2023: USD 19 million) and USD 3 million of co-funding from earmarked private sector contributions for Grant Cycle 7 (2023: USD nil). This represents a 3% increase over the 2023 half-year.

At budget rate, actual expenditure incurred during the first six months of the year amounted to USD 178 million of which USD 156.7 million relates to Secretariat operating expenses, USD 18.3 million relates to C19RM Management and Operating cost and USD 2.7 million to co-funding in 2024 (2023: USD nil).

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

5. Strategic Initiatives

For the 2023-2025 allocation period, the total available envelope for Strategic Initiatives (SI) amounts to USD 118 million (excluding Emergency Fund, Private Sector and Centrally Managed Limited Investments) and is fully approved by GAC. As of 30 June 2024, funding utilisation reached USD 7 million, 6% (excluding Emergency Fund, Private Sector and Centrally Managed Limited Investments). Most Strategic Initiatives budgeted a slow start due to enhanced funding reviews and extended contracting process. In the past, SIs with lower expenditure in Year 1 generally caught up with the rest of the portfolio in Year 2.

For the 2020-2022 allocation period, the total available envelope for Strategic Initiatives (SI) amounts to USD 321 million excluding the Emergency Fund (topped up to USD 92 million and integrated with the underlying grants), of which USD 320 million or 99 % is approved by GAC. As of 30 June 2024, the cumulative fund utilization of USD 295 million represents 92 % of the total envelope (excluding Emergency Fund/Private Sector/Centrally Managed Limited Investments). Closure processes have started for all but one program which was extended to December 2024.

6. Global Fund Provident Fund

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

In the condensed interim financial statements presented in the functional currency, the U.S dollar (USD), the Provident Fund asset base was USD 303 million as at 30 June 2024 (2023: USD 270 million). This included USD 301 million of Provident Fund investments measured at fair value and USD 2 million in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund constitution. In the first half of 2024, the year-to-date rate of return on Provident Fund investments is positive at 3.1 % (2023: 1.4%) in Swiss francs (CHF). This performance is the result of positive returns on equities, compensated by negative results on fixed income and real estate investments.

The liability for employee benefit obligation was USD 320 million as at 30 June 2024 (2023: USD 327 million). This includes USD 302 million in employee benefit reserves (2023: USD 302 million) and USD 18 million as accumulated actuarial valuation loss (2023: USD 25 million).

CONDENSED INTERIM FINANCIAL STATEMENTS

Responsibility for the condensed interim financial statements

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

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

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

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

These condensed interim financial statements were approved by the AFC on 20 September 2024.



KPMG SA
Esplanade de Pont-Rouge 6
PO Box 1571
CH-1211 Geneva

+41 58 249 25 15
kpmg.ch

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

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

Introduction

We have been engaged to review the accompanying condensed interim statement of financial position of The Global Fund to fight Aids, Tuberculosis and Malaria ("The Global Fund") as at 30 June 2024 and the related condensed interim statements of income, comprehensive income, cash flows and changes in funds for the six-month period then ended, and selected explanatory notes (the condensed interim financial information). The Global Fund Board and the Secretariat are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Alexandra Depoire
Licensed Audit Expert

Elodie Elloy
Licensed Audit Expert

Geneva, 20 September 2024

Enclosure:

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

Interim statement of income (unaudited)

For the six months ended 30 June	Notes	2024	2023
In millions of USD			
Operating activities			
Income			
Contributions	4.1	1,370	1,349
Expenditure			
Grants	3.2	(4,012)	(1,462)
Operating expenses	6.1	(178)	(176)
Total		(4,190)	(1,638)
Net operating activities		(2,820)	(289)
Financing and Investing Activities			
Foreign exchange results, net	5.5	(2)	(19)
Financial income, net	5.6	130	150
Discounting on long-term financial positions		31	6
Total		159	137
Decrease in funds		(2,661)	(152)

Interim statement of comprehensive income (unaudited)

For the six months ended 30 June	2024	2023
In millions of USD		
Decrease in funds	(2,661)	(152)
Other comprehensive income		
Re-measurement loss on defined benefit plan that will not be reclassified to the statement of income	(3)	(4)
Total comprehensive loss	(2,664)	(156)

Interim statement of financial position (unaudited)

As at	Notes	30.06.2024	31.12.2023
In millions of USD		(unaudited)	
Assets			
Current assets			
Cash and cash equivalents	5.1	235	43
Trust Fund	5.2	4,502	5,017
Contributions receivable	4.2	1,440	1,816
Derivative financial instruments at fair value	5.4	13	29
Other receivables	4.2	50	45
		<u>6,240</u>	<u>6,950</u>
Non-current assets			
Contributions receivable	4.2	1,707	1,987
Provident Fund investments	5.7	301	290
Tangible and intangible assets		32	37
		<u>2,040</u>	<u>2,314</u>
Total Assets		<u>8,280</u>	<u>9,264</u>
Liabilities and Funds			
Liabilities			
Current liabilities			
Grants payable	3.3	4,201	2,228
Derivative financial instruments at fair value	5.4	12	104
Other current liabilities		60	75
		<u>4,273</u>	<u>2,407</u>
Non-current liabilities			
Grants payable	3.3	124	293
Employee benefit liabilities		320	327
Lease liability		18	28
		<u>462</u>	<u>648</u>
Total Liabilities		<u>4,735</u>	<u>3,055</u>
Funds			
Temporarily restricted funds		53	57
Unrestricted funds		3,538	6,195
Remeasurement of defined benefit liability		(46)	(43)
Total Funds		<u>3,545</u>	<u>6,209</u>
Total liabilities and funds		<u>8,280</u>	<u>9,264</u>

Interim statement of cash flow (unaudited)

For the six months ended 30 June	Notes	2024	2023
In millions of USD			
Operating activities			
Cash received from donors		2,011	1,146
Grant disbursements		(2,221)	(2,281)
Payments for operating expenses		(183)	(177)
Gains realized on forward contracts settlements		35	102
Losses realized on forward contracts settlements		(65)	(155)
Net cash flow (used in) / from operating activities		(423)	(1,365)
Investing activities			
Financial income received, net	5.6	190	79
Purchase of Provident Fund investment		(22)	(8)
Purchase of tangible and intangible assets		(1)	(1)
Net cash flow from investing activities before Trust Fund movements		167	70
Net cash rebalancing between commercial banks and Trust Fund		454	1,314
Net cash flow from / (used in) investing activities		621	1,384
Financing activities			
Payment of lease liabilities		(6)	(5)
Net cash flow used in financing activities		(6)	(5)
Net increase/ (decrease) in cash and cash equivalents		192	14
Cash and cash equivalents			
- at beginning of the period	5.1	43	135
Effect of exchange rate changes on cash held in commercial bank and Trust Fund		-	(2)
- at end of the period	5.1	235	147

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

	Notes	30.06.2024	30.06.2023
Amounts held in commercial banks	5.1	235	147
Amounts held in Trust Fund	5.2	4,502	4,500
Total Operational cash balance		4,737	4,647

Interim statement of changes in funds (unaudited)

For the six months ended 30 June

In millions of USD

	Foundation capital ¹	Temporarily restricted funds	Unrestricted funds	Remeasure ment of defined liability	Total
As at 1 January 2024	-	57	6,195	(43)	6,209
Decrease in funds	-	(4)	(2,657)	-	(2,661)
Other comprehensive income	-	-	-	(3)	(3)
At 30 June 2024	-	53	3,538	(46)	3,545
As at 1 January 2023	-	50	4,566	(8)	4,608
Increase / (decrease) in funds	-	1	(153)	-	(152)
Other comprehensive income	-	-	-	(4)	(4)
At 30 June 2023	-	51	4,413	(12)	4,452

¹ The Global Fund maintains CHF 50,000 as statutory foundation capital.

Explanatory notes to the condensed interim financial statements

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

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

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

Index: Explanatory notes to condensed interim financial statements

Section 1: Activities and organisation

Section 2: Basis of reporting

Section 3: Grant activities

Section 3.1: Contingent liability

Section 3.2: Grant expenditure

Section 3.3: Grants payable

Section 4: Donor activities

Section 4.1: Contribution income /revenue recognition

Section 4.2: Contributions receivable

Section 4.3: Contingent assets

Section 5: Management of funds

Section 5.1: Cash and cash equivalents

Section 5.2: Trust Fund

Section 5.3: Foreign exchange exposures

Section 5.4: Foreign exchange risk management

Section 5.5: Foreign exchange results

Section 5.6: Financial income, net

Section 5.7: Provident Fund investments

Section 6: Operating activities

Section 6.1: Operating expenses

Notes to the condensed interim financial statements

Section 1: Activities and organisation

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

The Global Fund is recognized as an international organization, initially formed as a Swiss foundation. It commenced operations on 22 January 2002 and Geneva authorities accepted its registration on 24 January 2002. Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations: The Swiss Federal Council accorded the Global Fund international organization status, which is comparable to that of UN organizations, through the 2004 Headquarters Agreement. The United States of America, through an executive order in 2006, designated the Global Fund as a public international organization in accordance with the United States International Organizations Immunities Act. The European Commission, through a 2014 Commission Decision, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds. The Agreement on the Privileges and Immunities of the Global Fund entered into force 17 April 2019.

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

Section 2: Basis of reporting

Statement of compliance

These unaudited condensed interim financial statements as at and for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

They do not include all the information and disclosures presented in the annual financial statements and should therefore be read in conjunction with the audited financial statements as at and for the year ended 31 December 2023, which have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board. However, the explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Global Fund's financial position and performance since the last annual financial statements. All amounts in the notes are presented in millions of USD, unless otherwise stated.

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 condensed interim financial statements were authorised for issue by the Audit and Finance Committee of the Global Fund Board (the AFC) on 20 September 2024.

Significant accounting policies

All accounting policies adopted in the preparation of the condensed interim financial statements and all significant accounting estimates and other management judgments are consistent with those followed in the preparation of the financial statements as at and for the year ended 31 December 2023.

A few standards and amendments to standards became effective 1 January 2024, but they did not have a material impact on the Global Fund's condensed interim financial statements.

Financial instruments – Accounting classification

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

As at 30 June 2024

<i>All amounts in USD million</i>		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	4,502	-	-
Provident fund investments	5.3	301	-	-
Derivative financial instruments measured at fair value	5.6	13	-	-
Financial assets not measured at fair value				
Cash and cash equivalents	5.1	-	235	-
Contributions receivable	4.2	-	3,147	-
Other receivables* ₁	4.2	-	6	-
Financial liabilities measured at fair value				
Derivative financial instruments measured at fair value	5.6	12	-	-
Financial liabilities not measured at fair value				
Other liabilities		-	-	45
Grant payable		-	-	4,325
Lease liability		-	-	27

As at 31 December 2023

<i>All amounts in USD million</i>		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		-	-	59
Grant payable		-	-	2,521
Lease liability		-	-	35

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

Section 3: Grant activities

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

3.1 Contingent liability

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

	<u>30.06.2024</u>	<u>31.12.2023</u>
By category		
Grants approved but not signed	817	1,688
Grants signed but not committed	8,249	9,415
Total	9,066	11,103

3.2 Grant expenditure

The following table summarizes the grant expenditures:

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
By category		
Grants on behalf of Principal Recipients	3,135	768
Discounting	(12)	-
<i>Grant on behalf of Principal Recipients, net</i>	3,123	768
Grants for PPM orders	860	630
<i>Total grants for Principal Recipients</i>	3,983	1,398
Grants under recovery	(9)	(3)
Strategic Initiatives	38	67
Total	4,012	1,462

3.3 Grants payable

The following table summarizes grants payable at:

	<u>30.06.2024</u>	<u>31.12.2023</u>
By grant category		
Grants on behalf of Principal Recipients within one year	4,187	2,187
Strategic Initiatives	14	41
Total grants payable within one year	4,201	2,228
Grants on behalf of Principal Recipients after one year	136	312
Less discounting	(12)	(19)
Total grants payable	<u>4,325</u>	<u>2,521</u>

Section 4: Donor activities

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

4.1 Contribution income / revenue recognition

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

The following table summarizes the sources of revenue recognized:

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
Donor contributions		
Contribution for core activities	1,372	1,375
Contribution for operating expenditure	<u>2</u>	<u>-</u>
<i>Subtotal</i>	<i>1,374</i>	<i>1,375</i>
Less discounting at the point of revenue recognition	(4)	(26)
Total	<u>1,370</u>	<u>1,349</u>

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
By donor category		
Public	1,348	1,342
Foundations	14	13
Product (RED)	10	12
Others	<u>2</u>	<u>8</u>
Total	<u>1,374</u>	<u>1,375</u>

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.

The following table summarizes contributions receivable at:

As at	<u>30.06.2024</u>	<u>31.12.2023</u>
Contributions receivable within one year	1,440	1,816
Contributions receivable after one year	<u>1,707</u>	<u>1,987</u>
Total contributions receivable	<u>3,147</u>	<u>3,803</u>
Receivable within one year	1,440	1,816
Receivable within two years	1,262	1,313
Receivable after two years	<u>600</u>	<u>877</u>
Gross contributions receivable	3,302	4,006
Less discounting	<u>(155)</u>	<u>(203)</u>
Net present value of contributions receivable	<u>3,147</u>	<u>3,803</u>

The Global Fund reviews all contributions receivable as at the reporting date to assess for any expected credit losses. This assessment is based on a review of the donor credit profile, the in-country economic and political situation and other known factors that may potentially result in reduced future cash receipts. Where the Global Fund determines there to be a collection risk, then an appropriate risk premium is deducted from receivable balances to reflect this risk. As at 30 June 2024, USD 7 million (2023: USD 5 million) in risk premiums are maintained as a provision towards expected credit losses.

Other Receivables

The following table summarizes other receivables:

As at	<u>30.06.2024</u>	<u>31.12.2023</u>
Grants under recovery, net	34	24
Working capital advance for pooled procurement mechanisms	1	1
Security deposit for GHC sub-tenancy	9	10
Prepaid expenses for Operating Expenses and Strategic Initiatives	6	10
Total	<u>50</u>	<u>45</u>

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. It includes expected credit losses of USD 21 million (2023: USD 15 million) given the uncertainty of future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

4.3 Contingent assets

As at the reporting date, the Global Fund has USD 176 million (2023: USD 169 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. The Global Fund engages with commercial banks and the World Bank to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

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

5.2 Trust Fund

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

There were no changes in the first six months of the year in the valuation techniques used for the Trust Fund's assets and the methodology and techniques as disclosed in Note 5.2 of the 2023 annual financial statements were applied consistently. There were no significant transfers from one level to the other and the allocation to Level 1 and 2 as at the interim reporting date is similar to the allocation as at 31 December 2023. There are also no Level 3 financial instruments included in the Trust Fund's assets as at 30 June 2024 (2023: NIL).

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

<i>As at 30 June 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>Government and agency obligations</i>	1,316	1,531	-	2,847
<i>Asset and mortgage-backed securities</i>	-	828	-	828
<i>Equity</i>	212	-	-	212
<i>Time deposits</i>	50	403	-	453
<i>Repurchase/ resale agreements</i>	-	-	-	0
<i>Derivatives, net</i>	1	19	-	20
<i>Sub-total:</i>	1,578	2,782	-	4,360
<i>Cash, receivables & payables</i>				142
<i>Total</i>	1,578	2,782		4,502

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

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

As at	30.06.2024	31.12.2023
Financial instruments		
<i>(asset holding in percent)</i>		
Government and agency obligations	65	58
Time deposits and money-backed securities	10	25
Asset and mortgage-backed securities	19	13
Equity	5	4
Derivatives, net	1	-
Total	100	100

5.3 Foreign exchange exposures

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

	30.06.2024	31.12.2023	% FX fluctuation	2024 Average Fx Rates	2023 Average Fx Rates
<i>AUD</i>	0.6668	0.6811	(2)	0.6605	0.6647
<i>CAD</i>	0.7310	0.7549	(3)	0.7383	0.7406
<i>CHF</i>	1.1125	1.1881	(6)	1.1294	1.1133
<i>EUR</i>	1.0715	1.1037	(3)	1.0816	1.0824
<i>GBP</i>	1.2644	1.2731	(1)	1.2654	1.2443
<i>NOK</i>	0.0936	0.0984	(5)	0.0943	0.0952
<i>SEK</i>	0.0944	0.0993	(5)	0.0951	0.0946

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

5.4 Foreign exchange risk management

The Global Fund uses derivative financial instruments including forwards and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. The forward and swap contracts used by the Global Fund to mitigate foreign exchange risk are recognized at fair value, with subsequent movements in value reported through the statement of income. As at 30 June 2024, the forward contracts were fair valued as Level 2 financial instruments.

The methodology and techniques applied for the fair valuation of the derivative financial instruments remain consistent with Note 5.6 of the 2023 annual financial statements.

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

BY SETTLEMENT DATE	<u>30.06.2024</u>	<u>31.12.2023</u>
Assets to be settled within 12 months	13	29
Liabilities to be settled within 12 months	(12)	(104)
Net asset for derivative financial instruments at fair value	<u>1</u>	<u>(75)</u>

At 30 June 2024

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	143	(1)
CAD	806	4
CHF	(201)	(5)
DKK	375	1
EUR	420	1
GBP	93	(2)
NOK	787	0
SEK	850	3
Net asset for derivative financial instruments at fair value		1

At 31 December 2023

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD in 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)

5.5 Foreign exchange results

The following table summarizes foreign exchange results:

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
By net position		
Foreign exchange (losses)/ gains before derivative instruments	(48)	13
Fair valuation gains/ (losses) on derivative financial instruments	46	(32)
Net foreign exchange loss	<u>(2)</u>	<u>(19)</u>

5.6 Financial income, net

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

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
Trust Fund gains, net	131	152
Trustee fees	(1)	(2)
Total	<u>130</u>	<u>150</u>

As of 30 June 2024, the Trust Fund loss included an unrealized loss of USD 60 million (2023: unrealized loss USD 71 million).

5.7 Provident Fund investments

The following table provides the composition of Provident Fund investments:

	<u>30.06.2024</u>	<u>31.12.2023</u>
<i>Equity</i>	75	66
<i>Bonds</i>	150	164
<i>Money Market</i>	22	0
<i>Real estate</i>	54	60
<i>Total</i>	<u>301</u>	<u>290</u>

Section 6: Operating activities

6.1 Operating expenses

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

For the six months ended 30 June	<u>2024</u>	<u>2023</u>
Workforce costs	125	116
External assurance	18	19
Professional fees	14	20
Others	31	27
Total Secretariat expenses	<u>188</u>	<u>182</u>
Provident Fund valuation	<u>(10)</u>	<u>(6)</u>
Total	<u>178</u>	<u>176</u>



The Global Fund/Vincent Becker

30 June 2024

Le Grand-Saconnex, Switzerland

Page 31