

Thirty-Third Board Meeting

2014 financial performance: end of year results

For Board Information

GF/B33/02

Geneva, Switzerland

31 March – 1 April 2015

Agenda

2014 actuals: Pledges and contributions

2014 actuals: Grant expenses and disbursements

2014 actuals: OPEX

2014 Annual Report: Consolidated Financial Statements

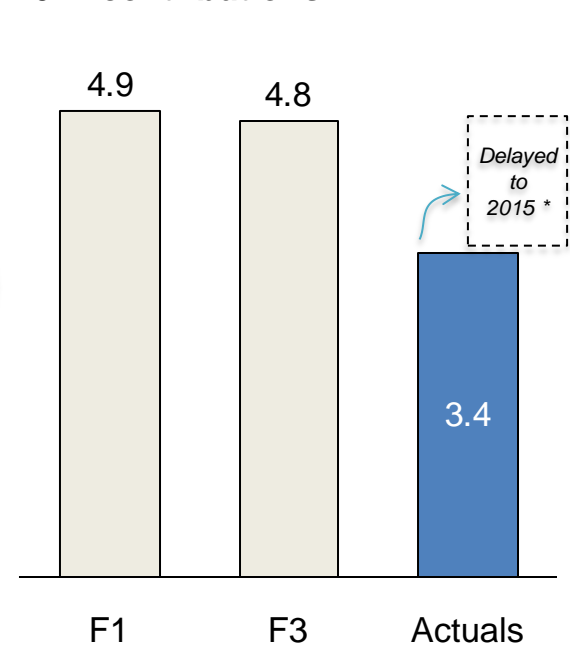
Contributions & Cash Receipts from Donors

Billion USD, excluding AMFM and other restricted contributions

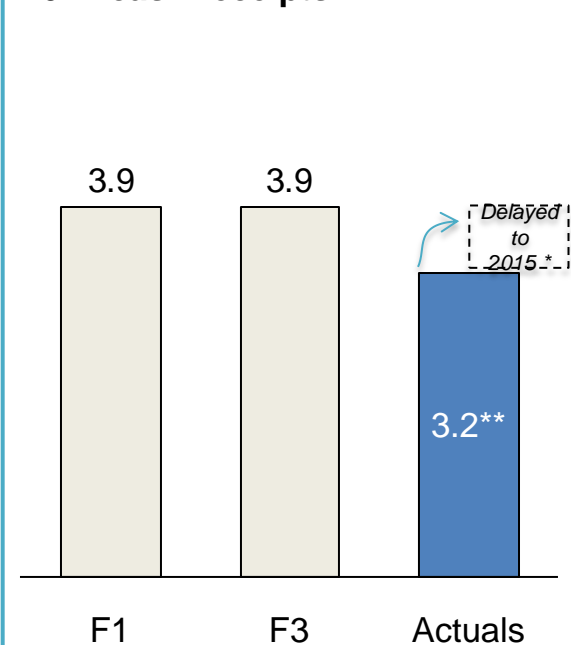
- 2014 actuals for both contributions and cash receipts lower than initial forecast
- **(*) No overall reductions, but rather delays**, due to:
 - Legislative requirements
 - Delayed signing of agreements due to donor domestic administrative processes and need to accommodate Global Fund FX management requirements
 - Cash-based method of accounting for some agreements, resulting in partial recognition of contributions in 2014

Effect of delays in contributions and cash receipts

2014 contributions



2014 cash receipts



** Excl. AMFM contributions and other restricted contributions

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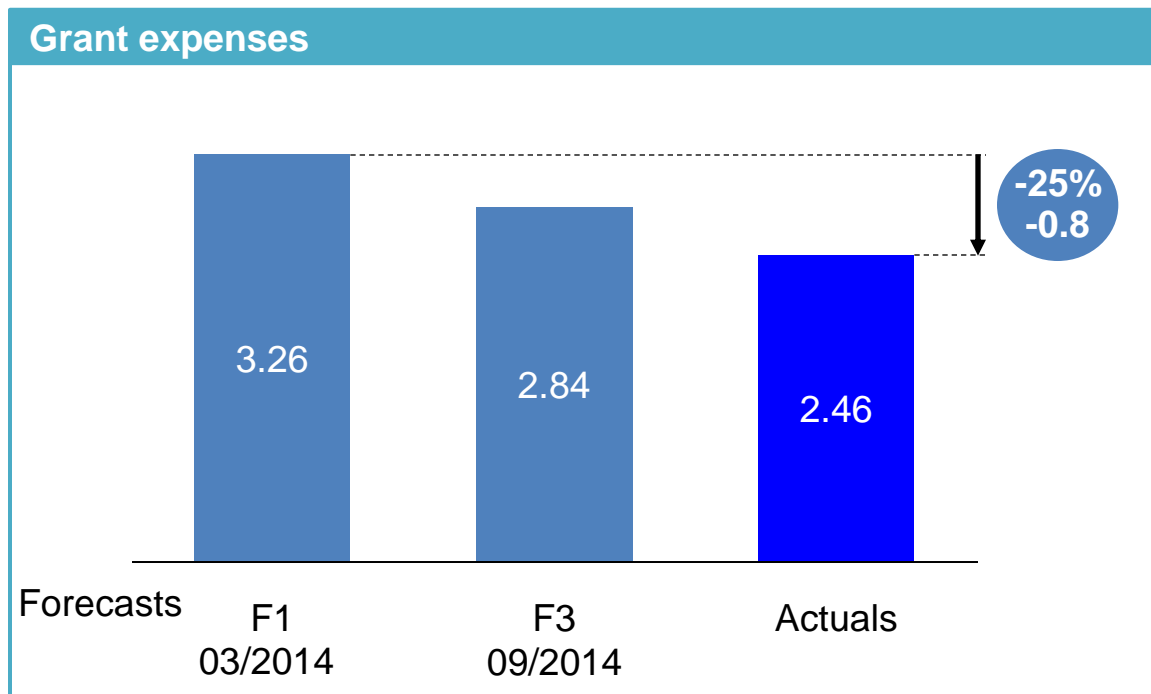
2014 Annual Report: Consolidated Financial
Statements

Contents

- Grant expenses and disbursements
 - 2014 full year actuals
 - Update on shortened grant duration

Grant expenses in 2014: impact of transition to New Funding Model and improved financial management

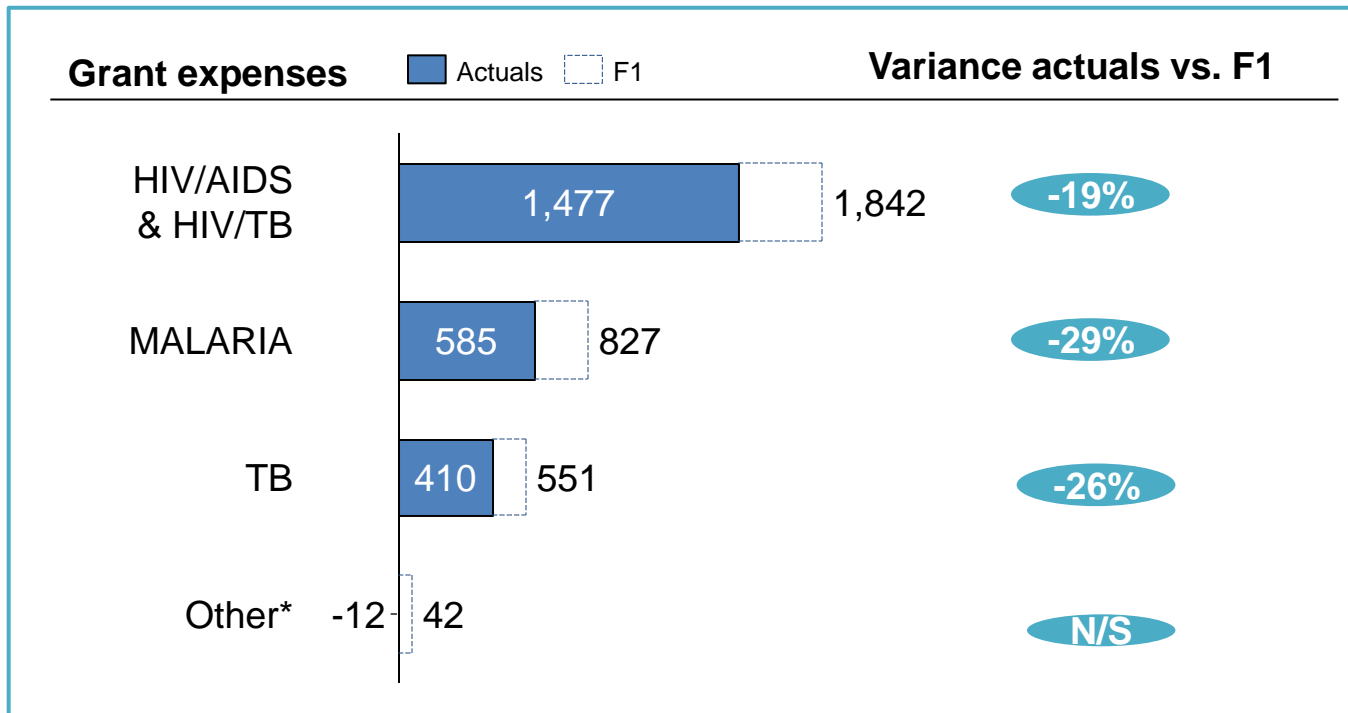
Billions USD equivalent



- **Grant making timelines:** bulk of NFM concept notes submitted in Q4 2014. Signing expected in 2015.
- **Improving / optimizing financial management:** regular monitoring of in-country cash balances
- **Absorption rates:** reduction in annual grant commitments to reflect realistic absorption rates
- **No disruption in services**

Grant expenses in 2014 – by disease

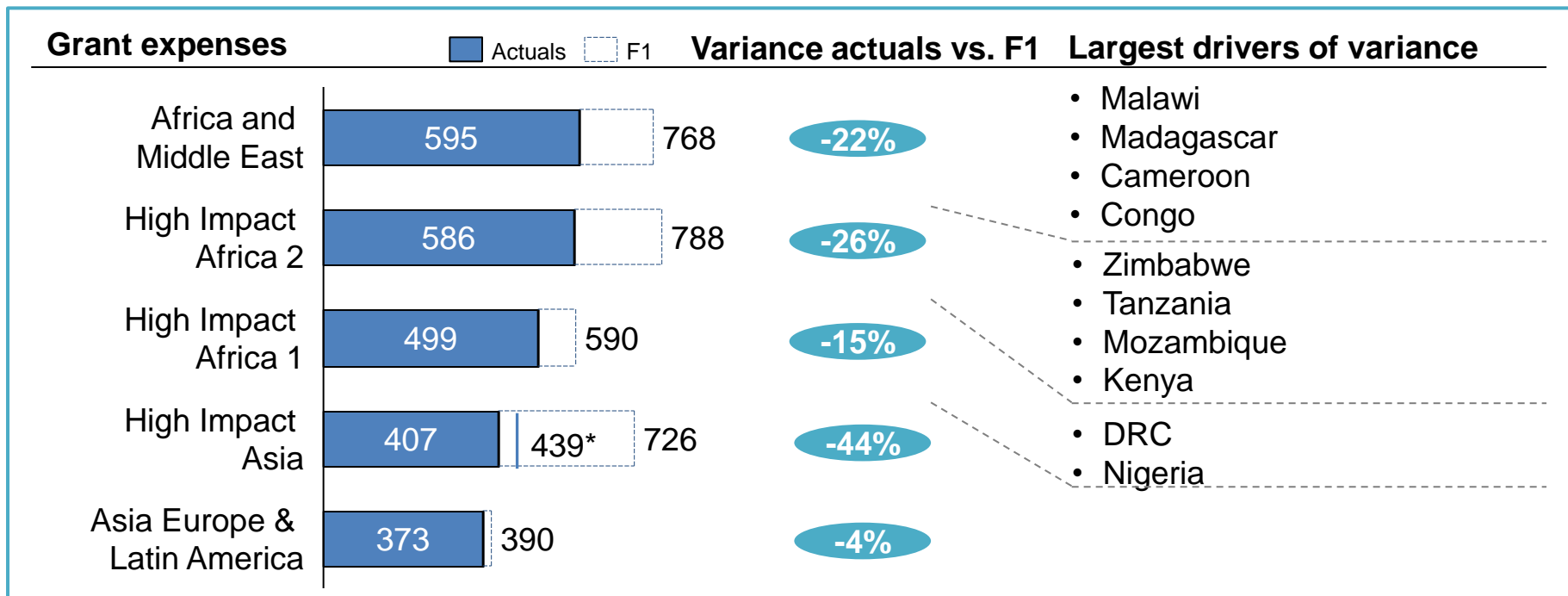
Millions USD equivalent, actuals



* Largely driven by delays in implementation in a high-impact Africa country due to capacity constraints at the government PR. New fiduciary agent appointed in December

Grant expenses in 2014 – by geography

Millions USD equivalent



* Reflect India F1 restated 2014 grant expenses forecast

2014 Grant expenses variance analysis

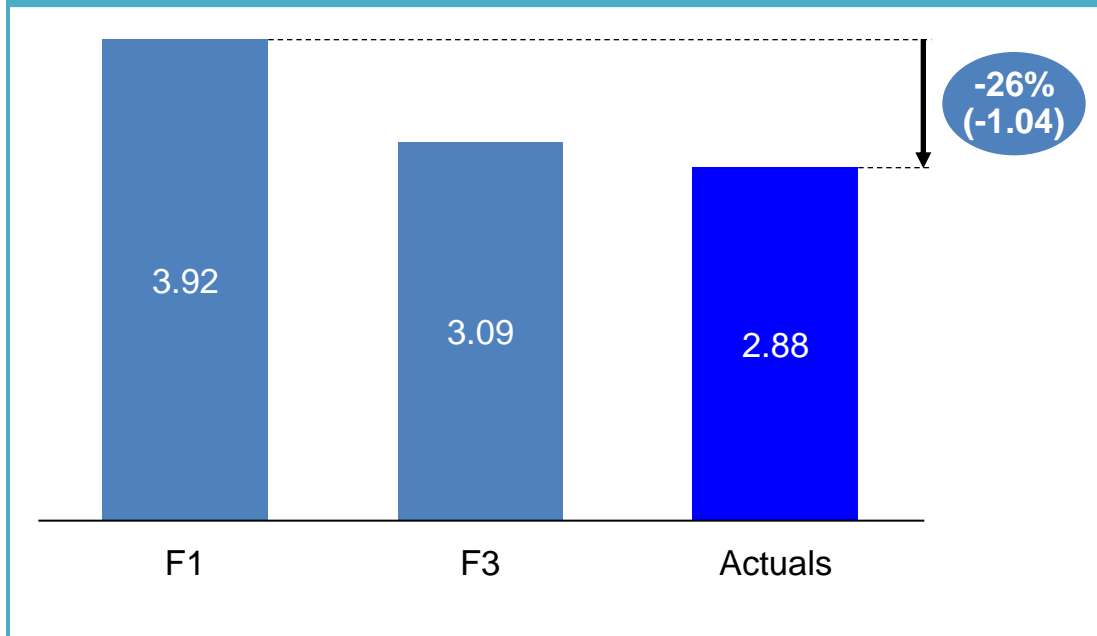
Top 10 country variance in 2014 for grant expenses = \$480 M

	M\$	Fiduciary management	Programmatic delays (activities, procurement..)	Delayed grant signing	Savings / reprogramming	PPM related
Zimbabwe	92			✓		
DRC	81	✓	✓			✓
Tanzania	80		✓			
Malawi	63					✓
Mozambique	38		✓			
Kenya	28		✓		✓	
Madagascar	28	✓		✓		
Cameroon	25				✓	
Congo	24				✓	
Namibia	21		✓			

Disbursements in 2014: Impact of improved financial management

Billions USD equivalent

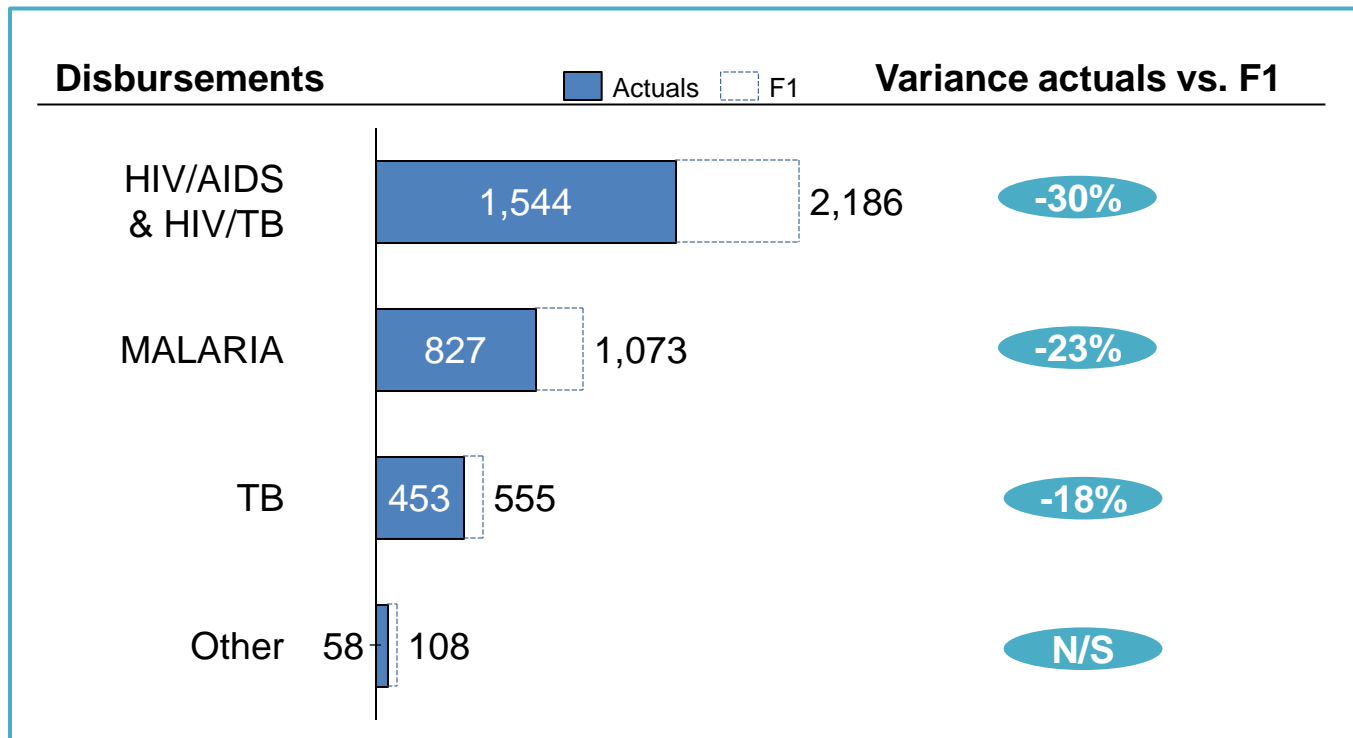
2014 actuals vs. forecast



- **Revised payment terms for PPM** (upfront payment for drug purchase replaced by payment on delivery)
- **Initial improvement to cash management** (quarterly reporting of cash balance formally enforced in Q2)
- **No disruption of services in 2014 as a result of sizeable in-country cash balances** although reduced during the year (USD 1.3 Bn at end of 2014; USD 1.5 Bn estimated at end of 2013)

Disbursements in 2014 – by disease

Millions USD equivalent, actuals



Disbursements in 2014 – by geography

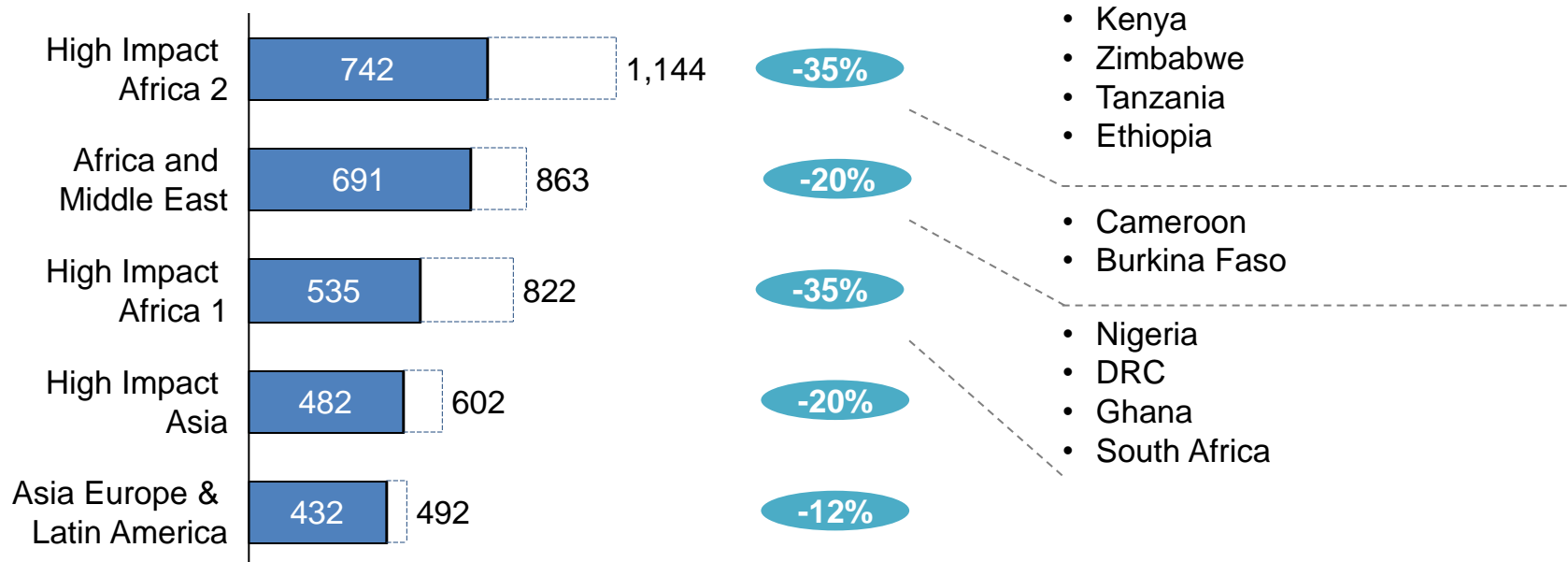
Millions USD equivalent

Disbursements

Actuals F1

Variance actuals vs. F1

Largest drivers of variance



Disbursements variance analysis

Top 10 Country variances in 2014 disbursements = \$623 M

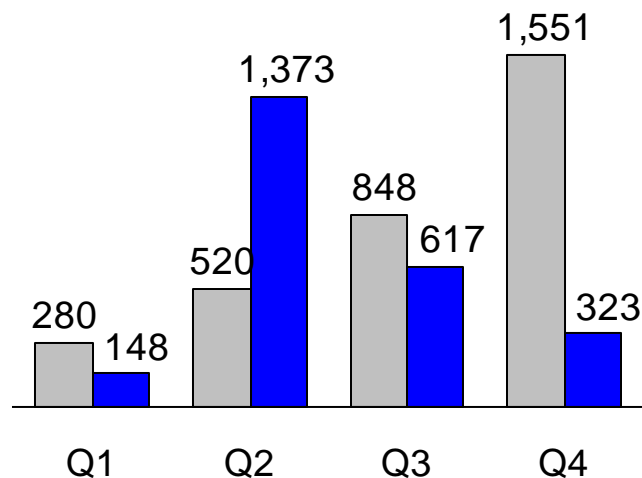
	M\$	Fiduciary management	Programmatic delays (activities, procurement...)	Delayed grant signing	Savings / reprogramming	PPM related
Nigeria	109	✓	✓			✓
Kenya	93		✓			
Zimbabwe	90			✓		
DRC	72	✓	✓			✓
Tanzania	67		✓			
Ghana	48		✓		✓	
Ethiopia	45	✓				
South Africa	40	✓		✓	✓	
Cameroon	35				✓	
Burkina Faso	24					✓

2014 Financial dynamics

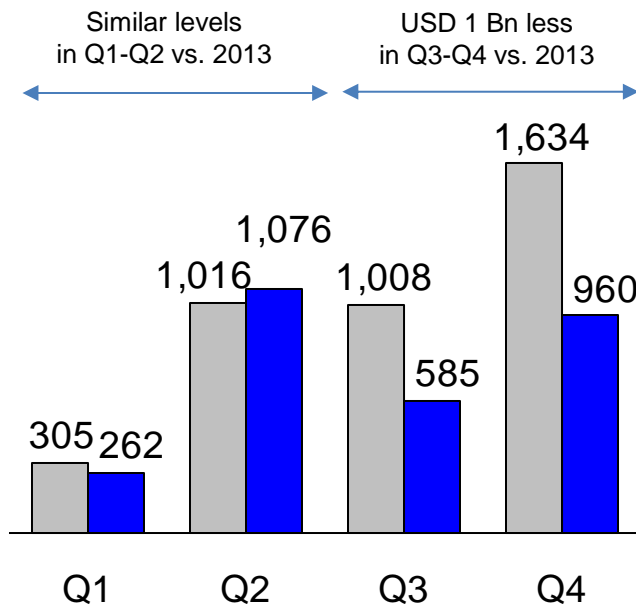
Millions USD equivalent, actuals

■ 2013 ■ 2014

Grant expenses by quarter



Disbursements by quarter



- **Improvement in financial management:** improvement to systematic monitoring of cash balance since end of Q2
- **Bulk of concept notes submitted in Q4:** cumulative value of grant signed in 2014 20% lower than in 2013

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Shortened grant duration update

Need for an update

- Initial assessment presented to FOPC in November 2014 was an **“interim” view** based on in-house analyses and a limited number of concept notes submitted to TRP/GAC as at August 2014.
- Updated assessment at end of Dec 2014 incorporates **TRP/GAC recommendations from waves 3 and 4**. Tanzania malaria and Kenya malaria planned still to be reviewed.

Grant duration

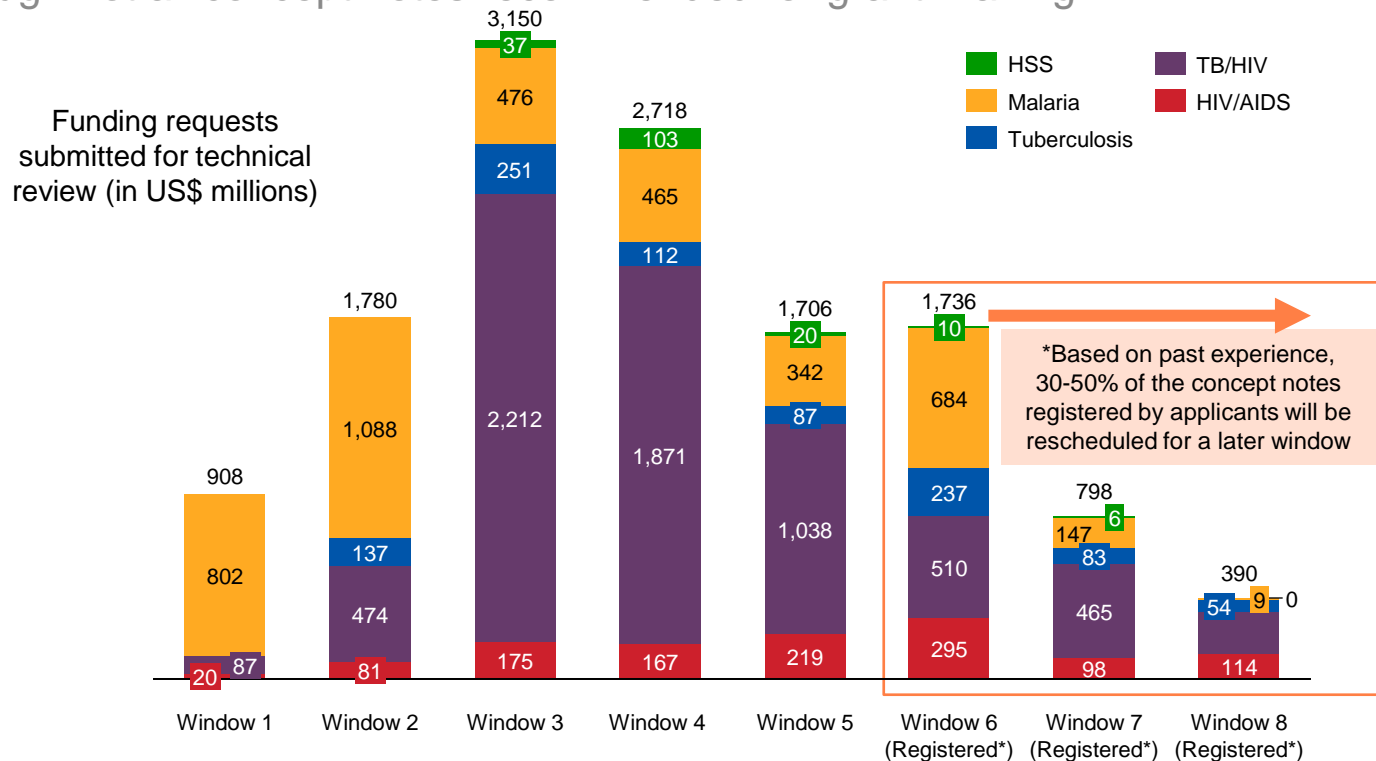
- **Stable number of identified cases**. Only new potential case is Cote d'Ivoire malaria grant.
- **Current view of 2017 funding need for shortened grants has dropped significantly from initial view given to FOPC**.

Funding scenario

- Revision of 2017 Funding scenario to be presented with Mid Term Plan update in November 2015.
- **Critical need of increased forecast reliability for portfolio management visibility**

US\$10.3 billion reviewed by TRP through window 5

Although not all concept notes recommended for grant-making



As of 13 March 2015

Note: Regional concept notes and iterations not included. Values in past windows reflect new concept notes submitted, although not all components moved to grant-making.

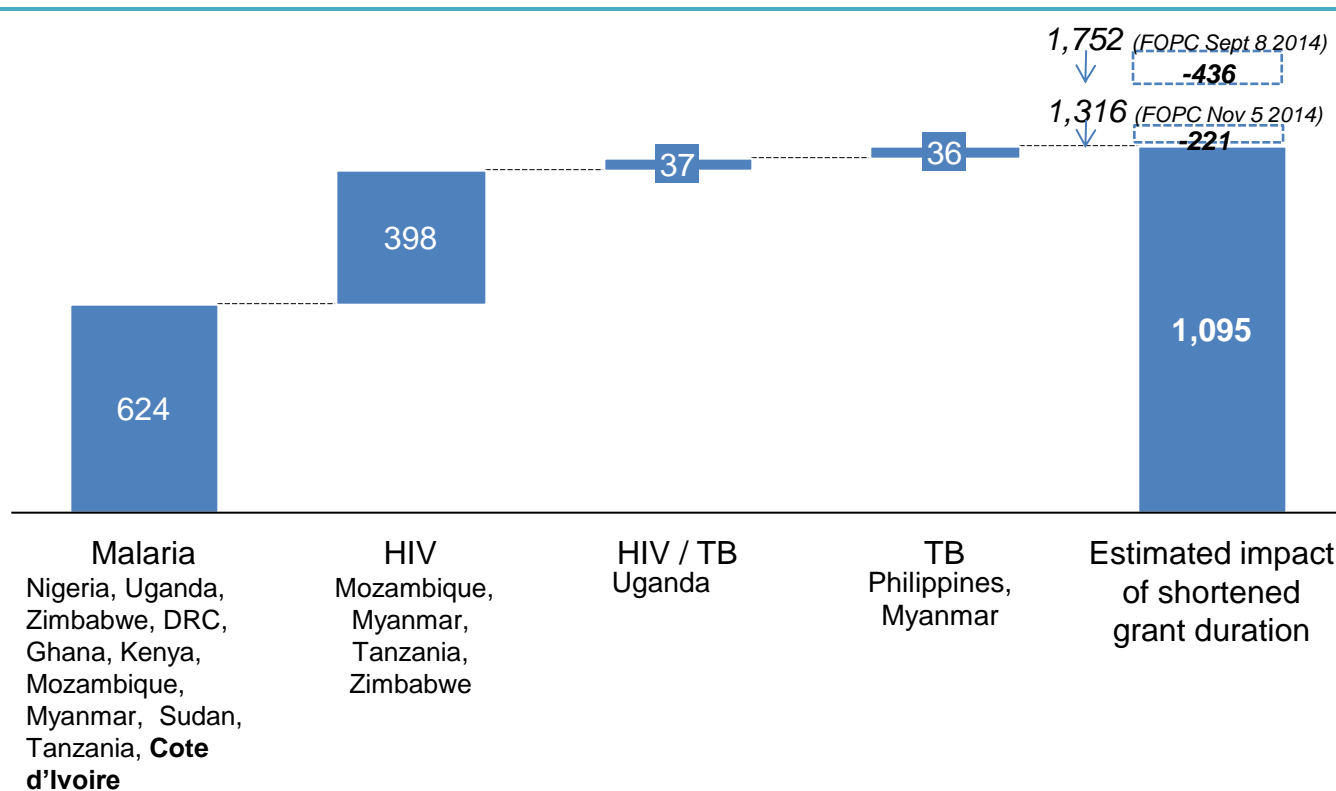
Estimated impact of shortened grant duration

Million USD

- Interim view at end of January 2015 to take into account **TRP/GAC recommendations from windows 3 and 4**

- Main drivers of gap reduction: stricter gap assessment through TRP/GAC review, incremental information from countries

- Potential new case: Cote d'Ivoire Malaria



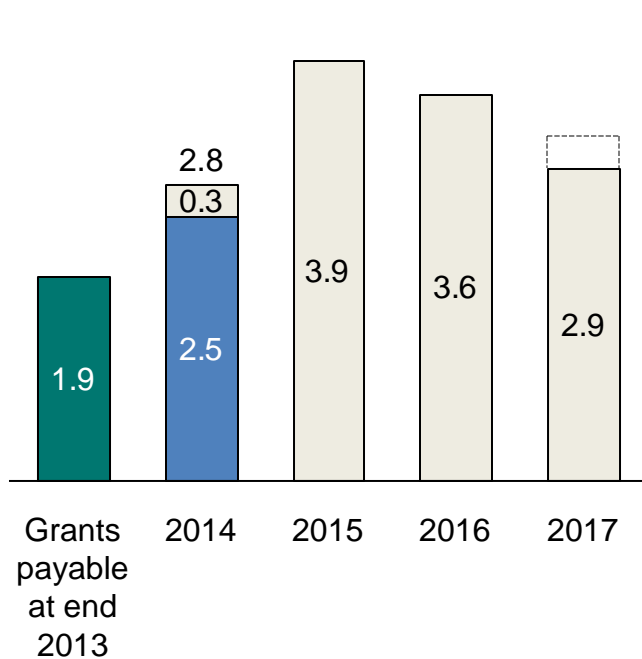
Financial dynamics going forward

Billion USD

MTP
 Actuals

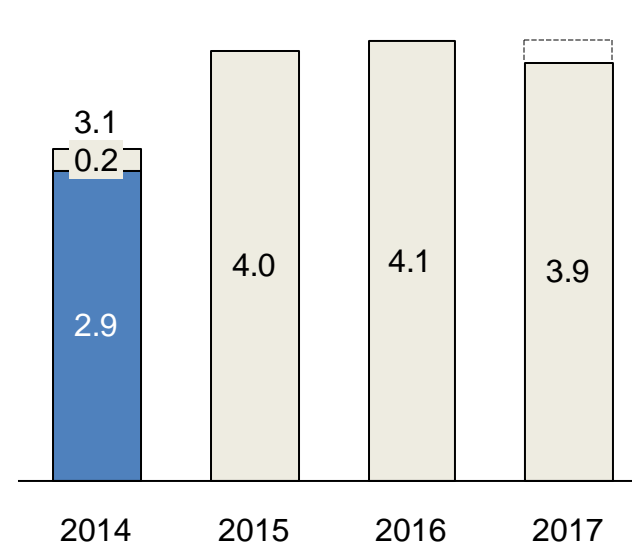
Grant expenses

Total allocation: USD 15.1 Bn



Disbursements

Total allocation: USD 15.1 Bn



- H1 2015 will still be mostly dedicated to grant making
- Implied increase in outflows for 2015 onwards presents opportunity to fulfill shortened grant duration requirements once an appropriate portfolio management mechanism is in place
- Better visibility once F1 04/2015 forecasts will be completed

NB Excl. special initiatives, new regional programs, unallocated Incentive Funding

G The Global Fund L Le Fonds mondial F El Fondo Mundial Г Глобальный фонд G 全球基金 الصندوق العالمي

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2014 Full Year Operating Expenditure By Function

In thousands of USD, at budget rates

Division	2014 full year actuals at budget rate	2014 budget	Variance 2014 actuals vs. budget	
			kUSD	%
General Management*	3,183	2,170	1,013	47%
Operations	163,190	174,993	(11,803)	(7%)
Support functions	94,508	92,947	1,561	2%
OIG	12,031	20,549	(8,518)	(41%)
Office of Board Affairs	5,682	5,841	(158)	(3%)
Total recurring costs	278,595	296,500	(17,906)	(6%)
Non-recurring costs	4,659	3,000	1,659	55%
Total operating costs before FX impact	283,254	299,500	(16,246)	(5%)
FX impact	2,555		2,555	
Total operating costs	285,809	299,500	(13,691)	(5%)

* 2014 actuals include unbudgeted transfer of Policy Hub from SIID

Comments

- Operations includes **11.8M\$** below budget in LFA driven by: (a) reduced activity from LFAs resulting from tight cost control and a reduced level of grant making; (b) improvements to tracking of LFA expenditure via the new Salesforce portal, which has significantly improved the year-end provisioning process and will allow a more accurate phasing of actuals during 2015
- OIG **8.5M\$** below budget, of which 7.4M\$ relates to non staff costs (Investigation: -5.4M\$; Audit: -1.8M\$; Management: -0.2M)
- Staff costs: **5.9M\$** above budget, mainly driven by HR related provisions

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Financial Statements- Statement of Income

Income and Expenditure (\$m)	2014	2013
INCOME		
Contributions	3,460	5,059
Foreign exchange (loss)/ gains on assets	(326)	82
Bank and Trust Fund Income	40	5
Provident Fund investment gains	7	2
Total Income	<u>3,181</u>	<u>5,148</u>
EXPENDITURE		
Grant Expenditure	2,563	3,310
Foreign exchange (gains)/ losses on liabilities	(34)	16
Operating Expenses	288	275
Total Expenditure	<u>2,817</u>	<u>3,599</u>
NET INCREASE IN FUNDS DURING THE YEAR	364	1,549
Loss on actuarial valuation of employee benefits	(7)	-
Total COMPREHENSIVE INCOME for the year	<u>357</u>	<u>1,549</u>

Financial Statements- Balance Sheet

Balance Sheet (\$m)	2014	2013
ASSETS		
Cash and cash equivalents	4,403	4,397
Contributions receivable (<1 year)	1,076	691
Contributions receivable (>1 year)	2,096	2,657
Provident Fund investments	92	84
Prepayments and other receivables	30	11
Plant, property and equipment	2	2
Intangible assets	7	6
Total Assets	<u>7,706</u>	<u>7,848</u>
LIABILITIES AND FUNDS		
Grants payable	1,555	1,985
Other creditors	56	55
Deferred contributions	86	170
Provident Fund liability	99	85
Restricted Funds	14	20
Unrestricted Funds	5,896	5,533
Total Liabilities and Funds	<u>7,706</u>	<u>7,848</u>

Financial Statements- Cash Flow Statement

Cash Flow Statement (\$m)	2014	2013
OPERATING ACTIVITIES		
Cash receipts from donors	3,277	3,333
Bank and Trust Fund income	41	5
Cash paid to grant recipients	(2,895)	(3,946)
AMFm co-payments disbursed	(84)	(112)
Cash paid for operating expenses	(270)	(268)
Net cash flow from operating activities	<u>69</u>	<u>(988)</u>
INVESTMENT ACTIVITIES		
Purchase of Provident Fund investments	(74)	(9)
Sales of Provident Fund investments	65	-
Purchase of fixed assets and intangibles	(5)	(7)
Net cash flow from investment activities	<u>(14)</u>	<u>(16)</u>
Realised foreign exchange rate gains / (losses)	(49)	30
Net increase / (decrease) on cash and cash equivalents	<u>6</u>	<u>(974)</u>