



Financial Performance as at 30th June 2021

46th Board Meeting

8-10 November 2021, *Virtual*

GF/B46/16

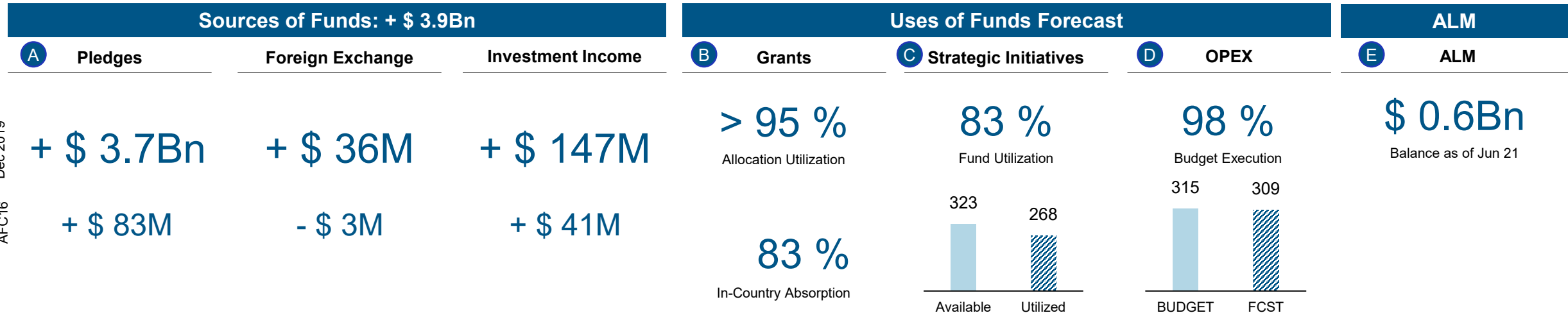
For Information

Agenda

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Financial Performance remains positive – AFC has approved \$ 100M to be made available for portfolio optimization

Executive Summary - Financial Performance



- **Pledges during the cycle shows continued growth**, primarily driven by C19RM contributions and moderated by risk adjustments (+ \$ 3,634M since Jan 2021)
- Position performance of **investment income and foreign exchange** generated US\$183 M of net gains over the cycle.
- This is composed of +\$ 36M from active **foreign exchange** hedging (- \$ 3 M since AFC 16) and + \$ 148M of **Investment Income** (+ \$ 41 M since AFC16).

- **Grants: allocation Utilization above 95% for both 5th & 6th replenishment cycle.** Highest disbursement level after first 6 months of implementation for new grants.
- **Strong in-country performance for HTM** with absorption of **83%** for 5th funding cycle grants in line with Secretariat target
- **Strategic Initiatives: 83% fund utilization expected by the end of the cycle.** Lower forecast driven by first year delays in approval, contracting and workforce onboarding (\$ 13 M of actuals at end of June or 4% of total envelope)
- **OPEX expected at \$ 309M below Budget 2021:** 1st half-year actual execution of \$ 137M (43% of 2021 Budget) and accelerated spending forecasted in second half year of \$ 172M (55%) – 98% of Budget execution at year end.

- As per AFC 17:**
- **\$ 100M approved** for portfolio optimization
 - **Additional information on ICA** included in this deck.
 - Suggestion for Secretariat to consider additional focus on **technical assistance to PRs** and insights on **Strategic Initiatives.**

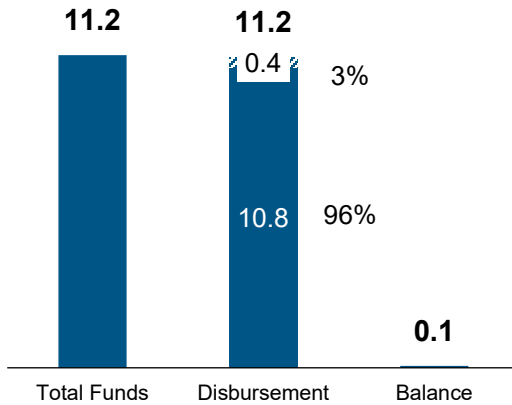
Grants - High level of utilization in both 5th & 6th funding cycles - achievement of In Country Absorption (ICA) target of 85% confirmed¹

Overview - Grants

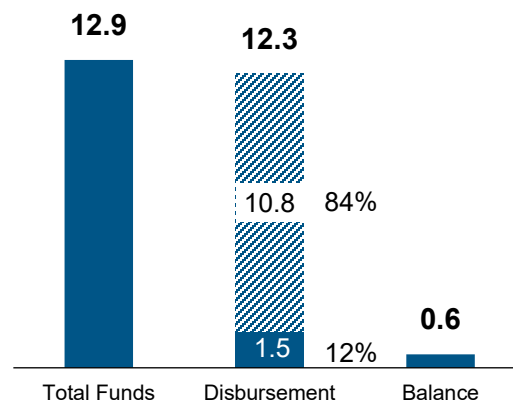
Corporate Grants

in \$ Bn

5th replenishment: 99% utilized

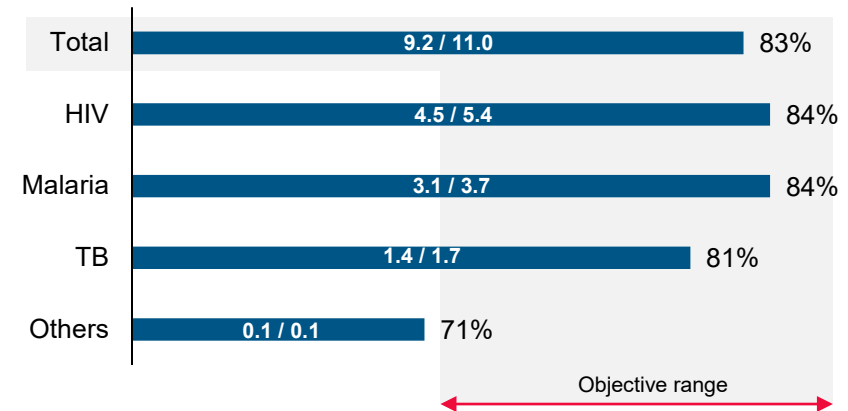


6th replenishment: 96% utilized



In-Country Absorption (ICA)

Cum. Exp. / Cum. Bud. in \$ Bn, ICA in %



- Highest level of 1st half-year disbursement in the history of the Global Fund, with \$ 2.1 Bn disbursement mainly driven by improved phasing of regular grant budgets and early initiation of procurement orders.
- Regular HTM grant disbursements – \$ 2.1 Bn (\$ 1.5 Bn for 6th and \$ 0.6 Bn for 5th) 12% higher than actual disbursement in the 1st half of 2020 (\$ 1.9 Bn)

- 83% in country absorption for all 5th rep grants: achievement of ICA target of 85% confirmed – considering agreed margin of +/- 4-5%.
- In-Country Absorption maintained at high level despite Covid-19 context thanks to program adaptations - +8% above the Board approved KPI of 75%.
- Higher in-country absorption is at 87% for grants ended up to 12/2020 (closure ongoing) - i.e. 12% above the Board approved KPI.
- Continuous integration of improvements and alignment of programmatic and financial performance in ongoing 6th replenishment grants.

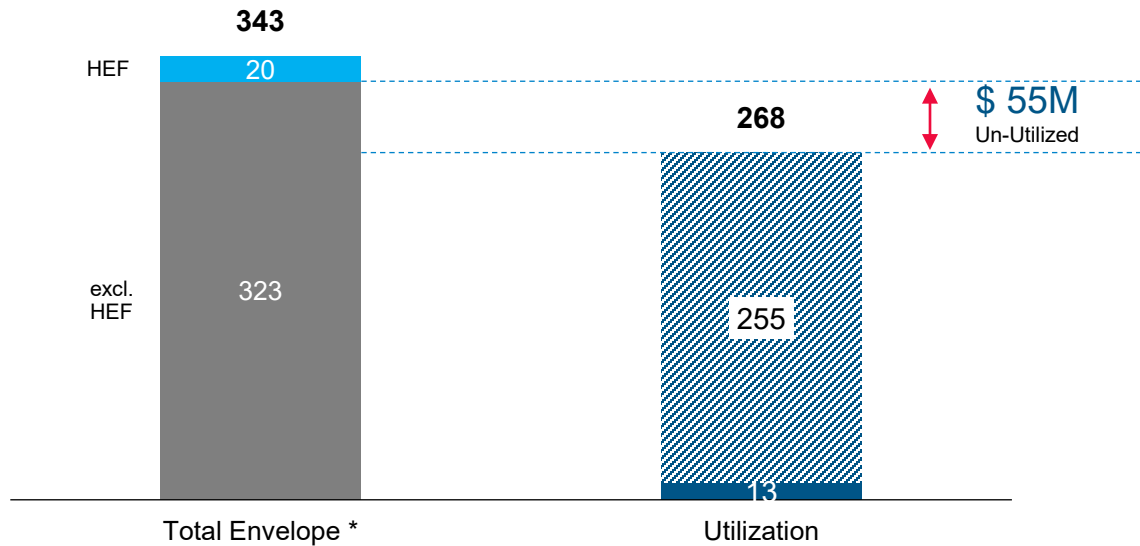
■ ACT ▨ Forecast

Strategic Initiatives: Delayed utilization of SI funds in First half 2021 resulting in a forecasted fund utilization of 83%

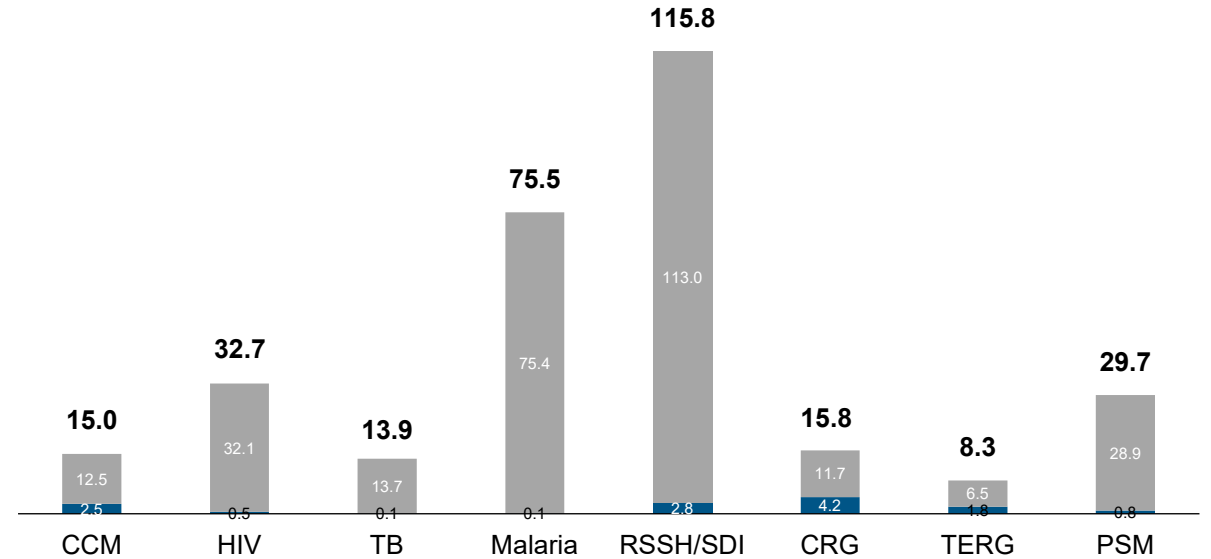
Overview - Strategic Initiatives (SI)

in \$ M

Envelope vs. Utilization Forecast



Utilization by Area



- For 2020-2022 cycle, \$ 268M or 83% fund utilization (out of which \$ 13M are actuals and \$ 255M are remaining Forecast) down from 94% in previous forecast
- Implementation delays driven by stricter funding review and extended contracting effort including negotiations with technical partners on partnership agreements and onboarding of workforce - \$ 55M expected to remain unused by the end of the cycle or 83% SI utilization
- Reassessment to be performed after end of year 1 including review of reprogramming, reallocation/reinvestment opportunities.

- Cumulative \$ 13M or 4% fund utilization at end of June 2021. Implementation of partner managed SI has still not started
- Initiatives like CCM Evolution and CRG benefited from early start and/or continuation of activities
- For directly managed SI, acceleration in contracting will be key in catching up

| SI in \$M | Total | Managed by Partners | Managed by TGF |
|-------------|-------|---------------------|----------------|
| Funding | 323 | 20% | 80% |
| Utilization | 13 | 0% | 5% |

OPEX Forecast shows an overall budget execution of 98 % for 2021 in line with the half year actuals given the COVID disruptions



Overview - Operating Expenses by nature and function

in \$ M

OPEX by Nature

| | Budget * | FCST | Variance | |
|--|--------------|--------------|-------------|--------------|
| | 2021 | 2021 | abs | in % |
| LFA Fees | 48.3 | 47.3 | -1.0 | -2.1% |
| CCM Funding | 9.5 | 9.5 | 0.0 | 0.0% |
| Secretariat Costs & OIG | 252.8 | 247.6 | -5.2 | -2.1% |
| Workforce | 172.9 | 169.4 | -3.6 | -2.1% |
| Staff | 163.1 | 158.4 | -4.7 | -2.9% |
| Individual Consultants | 9.9 | 11.0 | 1.1 | 11.5% |
| Professional Fees | 33.5 | 41.0 | 7.5 | 22.2% |
| Travel | 13.5 | 3.0 | -10.5 | -77.9% |
| Meeting | 2.6 | 1.6 | -1.1 | -40.1% |
| Communications | 1.5 | 1.6 | 0.1 | 4.1% |
| Office Infrastructure | 21.5 | 24.7 | 3.2 | 14.9% |
| Board Constituency | 1.6 | 0.7 | -0.9 | -53.3% |
| Depreciation | 5.6 | 5.7 | 0.1 | 1.3% |
| External Co-Funding | - | - | - | - |
| OPEX before non-recurring costs | 310.6 | 304.4 | -6.2 | -2.0% |
| Non-recurring costs | 4.4 | 4.7 | 0.3 | ++ |
| OPEX | 315.0 | 309.1 | -5.9 | -1.9% |

OPEX by Function

| | Budget * | FCST | Variance | |
|--|--------------|--------------|-------------|--------------|
| | 2021 | 2021 | abs | in % |
| General Management | 6.3 | 6.4 | 0.1 | 1.9% |
| Office of ED | 4.1 | 4.2 | 0.1 | 2.1% |
| Ethics Office | 2.1 | 2.2 | 0.0 | 1.7% |
| Business Operations | 130.4 | 127.2 | -3.2 | -2.5% |
| External Relation & Communication | 18.7 | 19.3 | 0.6 | 3.2% |
| Grant Mgmt. & Country Team Op. | 67.5 | 64.5 | -3.1 | -4.6% |
| Strategy Investment & Impact | 29.8 | 29.7 | -0.2 | -0.5% |
| SIID | 26.1 | 25.7 | -0.4 | -1.6% |
| Strategy & Policy Hub | 3.7 | 4.0 | 0.3 | 7.4% |
| Supply Operations | 14.4 | 13.8 | -0.6 | -4.2% |
| Governance & Support Functions | 94.4 | 94.7 | 0.3 | 0.3% |
| Human Resources | 8.5 | 8.6 | 0.1 | 1.7% |
| Risk Management | 3.8 | 3.5 | -0.3 | -6.9% |
| Finance & Administration | 30.6 | 29.3 | -1.3 | -4.4% |
| Information Technology | 39.9 | 43.4 | 3.5 | 8.8% |
| Legal & Governance | 11.6 | 9.8 | -1.8 | -15.1% |
| OIG (Independent) | 14.9 | 12.3 | -2.6 | -17.3% |
| Ext. Assurance & Oth. Independent | 64.6 | 63.8 | -0.8 | -1.3% |
| LFA & PDQA | 49.4 | 48.4 | -1.0 | -2.0% |
| CCM | 11.3 | 11.0 | -0.3 | -2.4% |
| Independent Bodies (TRP & TERG) | 3.9 | 4.3 | 0.4 | 11.2% |
| OPEX before non-recurring costs | 310.6 | 304.4 | -6.2 | -2.0% |
| Non-recurring costs | 4.4 | 4.7 | 0.3 | ++ |
| OPEX | 315.0 | 309.1 | -5.9 | -1.9% |

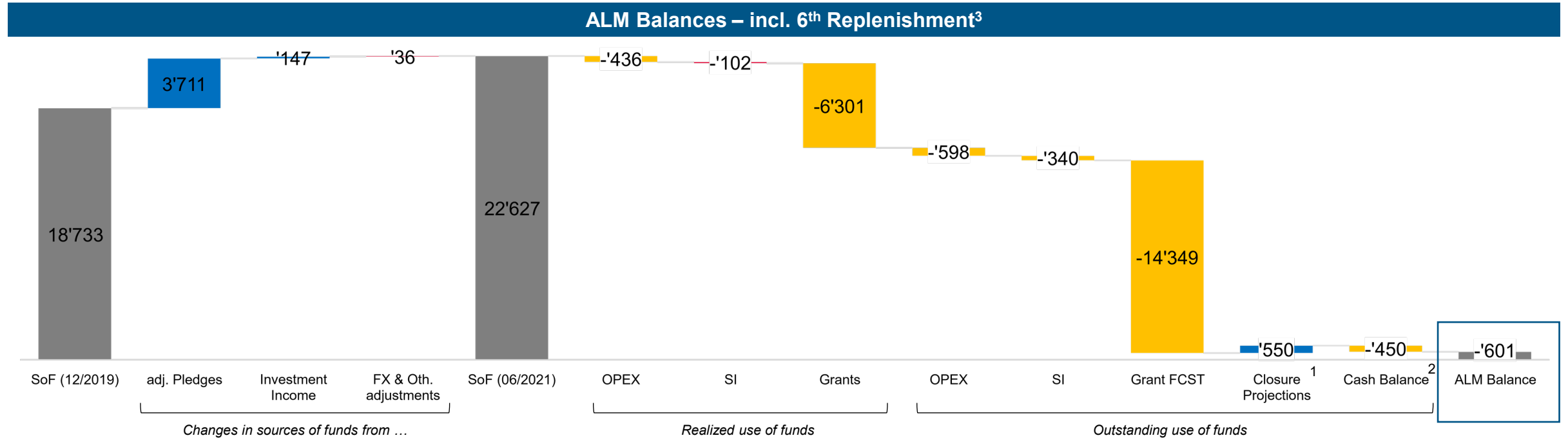
* Revised Budget refers to the original 2021 Budget and includes the following adjustments:

- Budget Transfers from Divisions to new Health Finance Dept,
- Priority Budget Transfers from Divisions to IT for projects
- Priority Transfers from Central Reserves to Divisions for reorgs
- Normative assumption on the split of TRP costs between Grant Operations and Independent Bodies

Positive ALM balance of \$ 601M –\$ 100M approved by the AFC for portfolio optimization

Overview - ALM

in \$ M



- **Positive ALM balance of \$ 601 M** until and including the 6th replenishment cycle
- A portion of funds available for portfolio optimization may be **re-allocated in accordance with the approach to non-eligible countries in crisis**, approved by decision point GF/B39/DP04 (May 2018) and as set forth in GF/B39/03 – Revision 1), subject to recommendation on the uses of funds by the Strategy Committee and approval by the Board.

➤ AFC17 approved \$ 100 M as funds available for potential portfolio optimization

1 5th Closure projections of 5th (Stage 2 & 3)
 2 Cash balance closure from both, 5th and 6th replenishment
 3 ALM balances inclusive of amounts related to Grants, OPEX, SI, C19RM and Centrally Managed Investments

In Country Absorption and C19RM Deep Dive

High ICAs in health commodities and Program Management Human Resource cost - health & non-health equipment on lower level

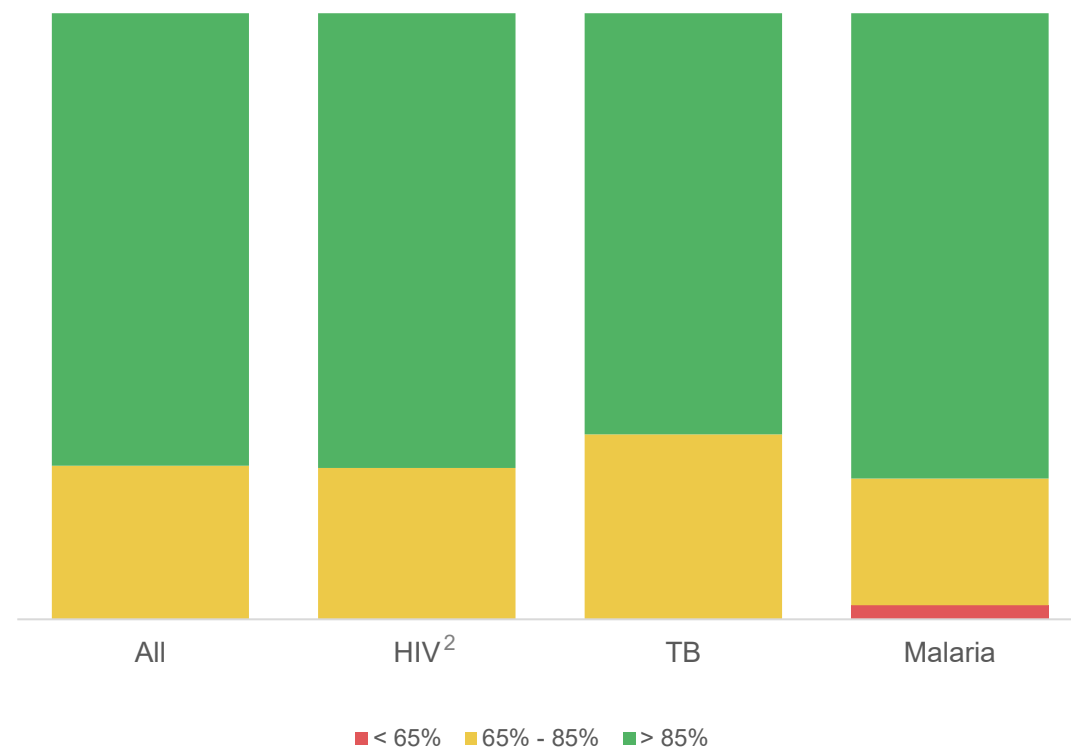
Deep Dive – In-Country Absorption for first cohort of Grants Ended in 2020

In-Country Absorption¹ Level by Investment Landscape

| Analytical Group Name | WCA | | | | Rest of Africa | | | Rest of World | | | Portfolio | Portfolio |
|---|------------------|------------|------------|------------|------------------|------------|------------|------------------|------------|------------|------------|------------|
| | HIV ² | TB | Malaria | Others | HIV ² | TB | Malaria | HIV ² | TB | Malaria | 17 -19 | 14 -16 |
| Health Equipment | 59% | 65% | 50% | | 54% | 75% | 70% | 92% | 81% | 86% | 70% | 79% |
| Health products/commodities and PSM related costs | 88% | 89% | 82% | | 90% | 93% | 89% | 91% | 84% | 88% | 88% | 87% |
| Human Resources including Fiscal Agents | 97% | 94% | 99% | 80% | 94% | 98% | 95% | 96% | 95% | 90% | 95% | 86% |
| Indirect and Overhead Costs | 85% | 89% | 79% | 75% | 91% | 93% | 88% | 85% | 87% | 87% | 86% | 79% |
| Infrastructure and Non-Health Equipment | 70% | 47% | 69% | 73% | 74% | | 82% | 90% | 65% | 79% | 75% | 86% |
| Capacity Building and Technical Assistance | 89% | 94% | 92% | 83% | 79% | 83% | 79% | 81% | 85% | 88% | 86% | 82% |
| Human Resources for Health | 87% | 91% | 93% | 83% | 95% | 98% | 80% | 97% | 96% | 96% | 94% | |
| Program related costs | 77% | 87% | 84% | 89% | 80% | 84% | 81% | 80% | 90% | 76% | 82% | 81% |
| Total | 86% | 85% | 84% | 82% | 87% | 91% | 88% | 90% | 87% | 86% | 87% | 85% |

Investment Landscape with In-Country Absorption:
■ Outlier > 120%
■ > 85%
■ > 65%
■ < 65%

In-Country Absorption¹ Distribution by Disease



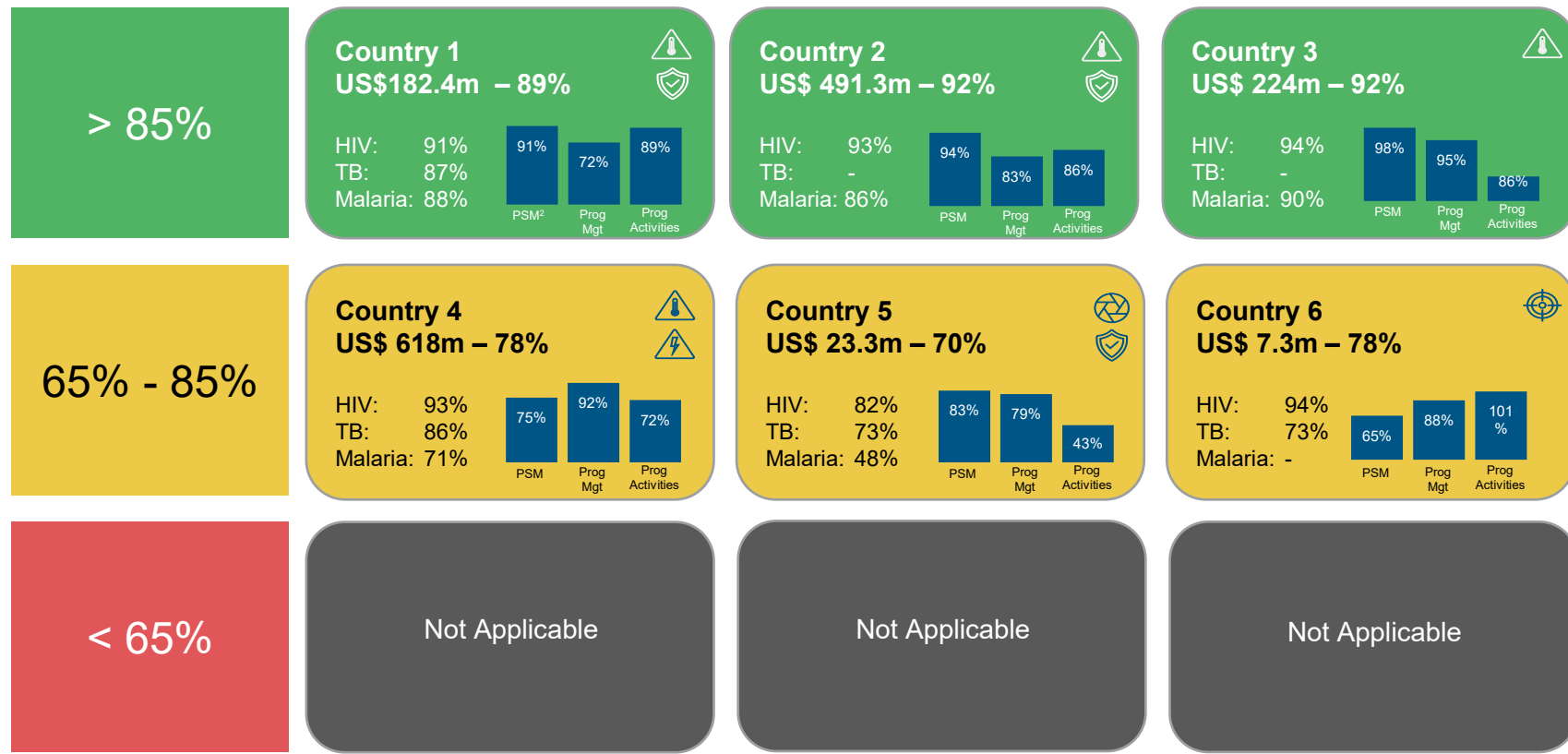
- Overall higher absorption in areas such as Health Products/Commodities and PSM, and Human Resources including Fiscal Agents with more than 85% absorption.
- Portfolio financial performance has significantly improved and show positive absorption; however, we see some variations by country/disease with 1 Country/Disease component below 65%

In-Country Absorption Distribution

Deep Dive – In-Country Absorption for sample of countries from the first cohort of Grants Ended in 2020

Core Hi-Impact Focused Challenging Operating Environments (COE) Fiduciary/Fiscal Agent (FA) Present ICA in %

In-Country Absorption¹ at Country Level

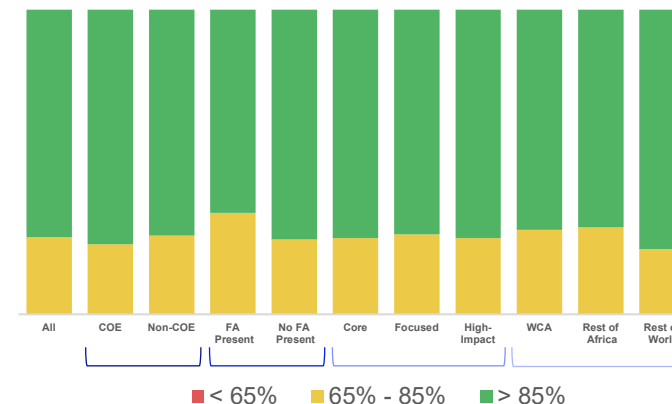


WCA

Rest of Africa

Rest of World

ICA Distributions



Key Highlights

- Overall Portfolio In-Country Absorption (ICA) is **87%** for grants ending by December 2020 across **67** country and multi-country portfolios.
- Sample of **6 country profiles** presented to cover geographies, country categorization, COE / non-COE and financial performance level.
- Across the portfolio, **75% of countries** are above 85% ICA levels
- Significant achievement for portfolios across regions, and particularly for **WCA**, with no country's portfolio meeting the under-absorption trigger of below 65%.
- Compared to previous cycle of grants ended in Dec 17³ (3 out of 64 country and multi-country grants) had an absorption below 65%.

1. For grants ending up to 31 December 2020
 2. PSM includes health commodities and equipment
 3. For grants ending up to 31 December 2017, data as at Oct 2021

Integrating lessons from C19RM 2020, strong acceleration for C19RM 2021 related processes

Deep Dive - C19RM

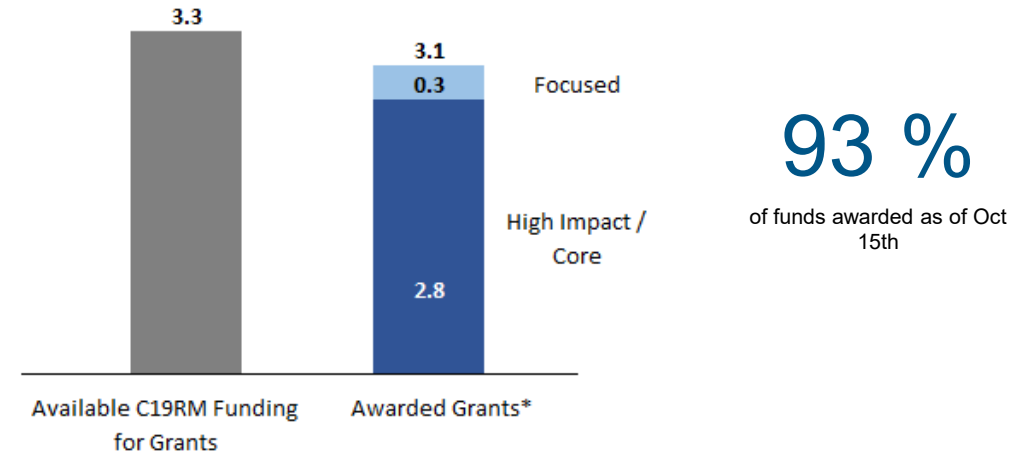
C19RM & Grant Flexibilities – 2020 (~\$ 1Bn)



- **September 2020: After 8 months 80% of awards granted. Impact of Covid-19 on implementer's ability to rapidly execute and provide timely reporting in the current context**
- The analysis is based on **High Impact** and **Core Countries** representing 90% of investments
- Updated in-country utilization estimates of \$ 565M for Hi/Core countries – utilization at 63% as at 30 June 2021
- 90% of expenditure estimates (\$ 507M) based on validated reports or still being verified by LFA
- Challenges in the supply chain pipeline impacted timely delivery of products – delays encountered for products valued at \$57M with expected June delivery date
- **63% - 70%** utilization for an average of **6-8 months** of in-country execution of a new initiative is above historical secretariat trend for HTM grants and SI

C19RM – 2021 (~\$ 3.3Bn)

in \$ Bn



- **October 2021: After 6 months 93% of awards granted. Illustrates accelerated deployment enabled by dedicated Secretariat resources.**
- Disbursement forecast for 2021 of \$1.2Bn - 95 % of available funds are forecasted to be disbursed by Dec 2023 (incl. transfer of unused C19RM 2020 funds to C19RM 2021)
- Lessons from C19RM 2020 award and execution processes are being mitigated through the monitoring and oversight framework:
 - Accelerated Award Approval facilitated by investment committee & CTAG review
 - Enabled advanced procurement order and follow-up
 - Finalized the pulse check portal for data collection launch from implementors (Q4/2021)
 - Specific country deep-dives as part of the Investment Committee to manage bottlenecks

*Total may not sum due to rounding. Total Awards at 15th Oct 2021 is US\$ 3,050bn.

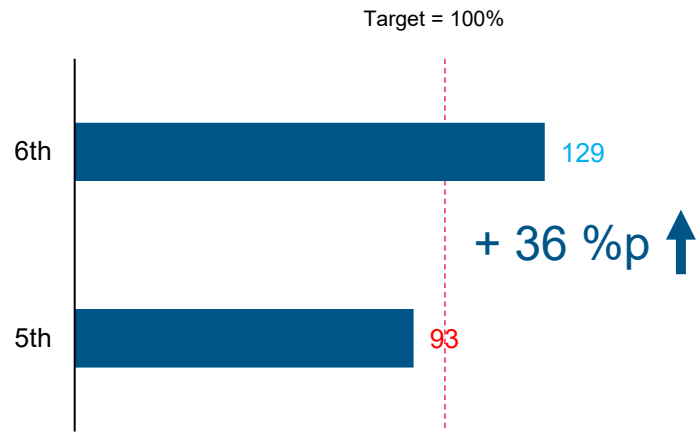
Appendix

Pledge amount above initial target ambition with improved pledge quality, and higher nominal cash conversion

Summary - Pledges

Pledge Target – KPI 10a

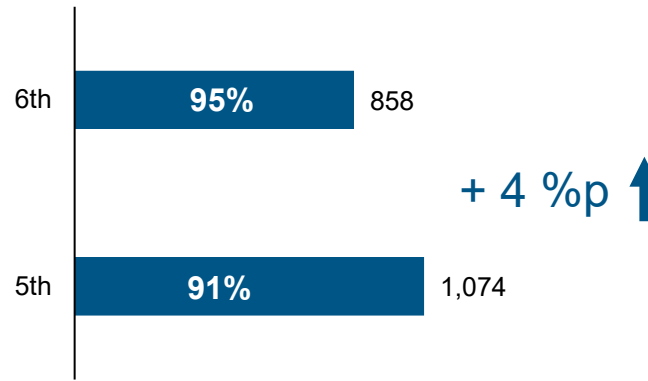
in %



- Fulfilment of replenishment target improved by +36%p compared to 5th replenishment
- Announced pledges of \$ 18.0 Bn exceeded initial target of \$ 14.0 Bn by + \$ 4.0 Bn in 6th replenishment, driven by additional adjusted pledges to C19RM

Pledge Quality

Pledge adjustments in \$ M, pledge quality in %



- Pledge quality has improved by +4%p to 95% in 6th replenishment
- Value of pledge adjustments is lower by - \$ 216M at \$ 858M in 6th replenishment despite higher pledge announcements

Cash Conversion ¹

in \$ M

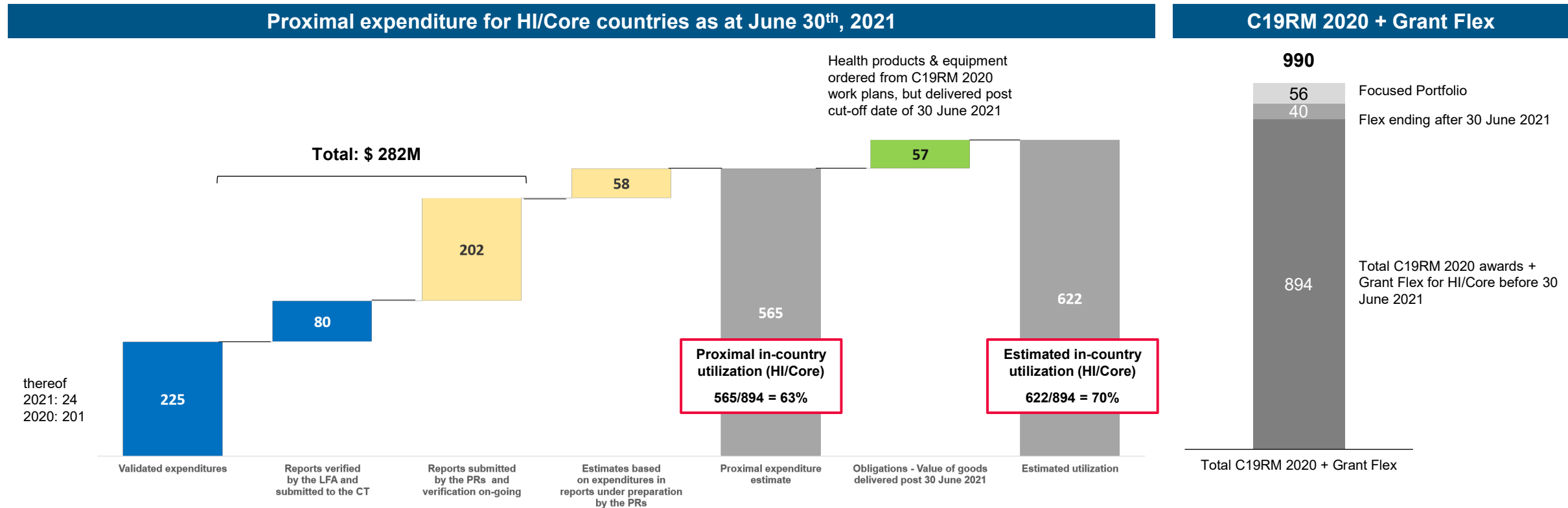


- Absolute cash receipts higher by + \$ 624M at \$4,933M in 6th replenishment cycle.
- Cash conversion remains at 29% (reported at AFC16) - 10%p below the equivalent period of the 5th replenishment of 39% primarily driven by pledge encashment schedule

C19RM 2020 in-country execution and utilization is estimated at 63%-70% after an average implementation period of 6-8months

Deep Dive – C19RM

in \$ M



- Analysis focus on 54 High Impact and Core Countries – representing 90% of total C19RM 2020 investments.
- Taking into account the further technical analysis of financial reports in the pipeline, the secretariat is confident that C19RM 2020 final utilization as at 30 June 2021 will be within **63%-70%** against total awards and grant flexibilities taking into account the slippage on Health Product Procurements.

Definitions

Sources of Funds

1. Pledges

1.1 Adjusted pledges

Announced pledges less adjustments for risk and ineligible factors as defined in the Comprehensive Funding Policy (CFP).

1.2 Pledge quality

Ratio of adjusted pledges to announced pledges where a higher ratio implies a higher pledge quality.

Uses of Funds

2. Grants

2.1 Allocation Utilization

Total amount of funds that is disbursed and forecasted to be disbursed to a country against its allocation amount for the Allocation and Grant Implementation Period.

2.2 In-Country Absorption

Proportion of the cumulative in-country expenditure against the cumulative grant budget, within the reported timeframe during the Grant Implementation Period.

2.3 C19Rm In-country utilization

Total C19RM expenditure against C19RM awards + Grant Flexibilities. This is a better measurement of financial performance for C19RM given PR has flexibilities to reprogram through grant flex.

3. Strategic Initiatives

3.1 SI Fund Utilization

Total amount of funds forecasted to be paid / disbursed against initial SI envelope.

4. Operating Expenditure

4.1 Actual Execution

OPEX Actuals YTD against Budget YTD for the reporting period

4.2 Budget Execution

Latest OPEX forecast for the full year against OPEX Budget for the full year