

Financial Performance As at 31st December 2021

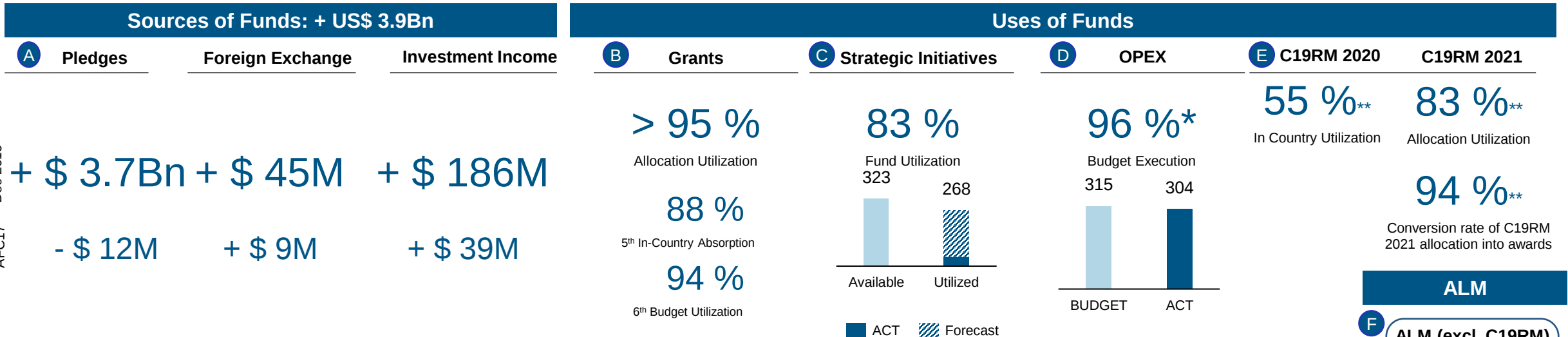
47th Board Meeting
10-11-12 May 2022, Geneva / Virtual
GF/B47/17

Agenda

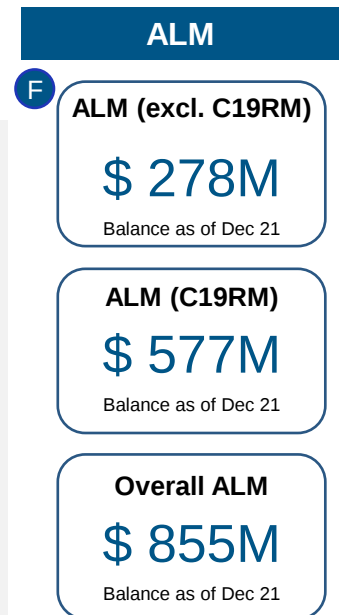
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**Strong financial performance of core programs in a Covid-19 context.
Enhanced focus on implementation of C19RM as award phase is completed.**

Executive Summary – Financial Performance



- **Grants**
 - **Strong Allocation Utilization (AU) >95% for both 5th and 6th cycle.**
 - **High In-country Absorption (ICA) of 88% reported for the 5th cycle**, meeting Secretariat's target. **For the 6th Cycle**, ICA will be determined with the validation of Year 1 expenditure reports in Q1/Q2 2022. **Budget Utilization (BU) – a forward looking indicator for absorption stands at 94% for Year 1 of NFM 3.**
- **Strategic Initiatives: 83% fund utilization** expected by the end of the cycle. Stable forecast with potential unused funds of US\$ 55M (US\$ 45M of actuals or 14% of total envelope). The needs for a Portfolio Optimization approach is currently being considered for Q2 2022, after assessing the performance of each SI.
- **OPEX actuals of ~US\$ 304M (96% budget execution)** with underspend related to lasting impact of Covid-19 on operations (excludes US\$ 20M spent under the C19RM Management fee of 3%)
- **94% conversion rate of allocation into award for C19RM 2021 and in country absorption of 55% for C19RM 2020** (**see details in financial C19RM deep dive section).



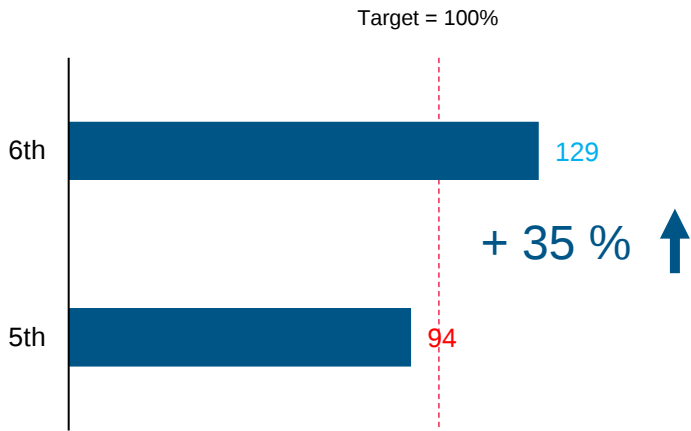
Note: Some totals may not add up due to rounding.

Acceleration of Pledge conversion with unprecedented cash conversion of US\$ 4.4Bn since June 2021, illustrating improved pledge quality

Summary - Pledges

Pledge Target – KPI 10a

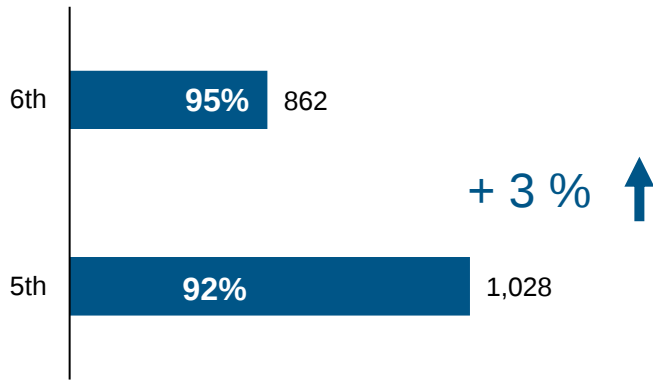
in %



- Fulfilment of replenishment target improved by +35% compared to 5th replenishment
- Announced pledges of US\$ 18.1Bn exceeded initial target of US\$ 14.0Bn by +US\$ 4.1Bn in 6th replenishment, driven by additional adjusted pledges to C19RM.

Pledge Quality

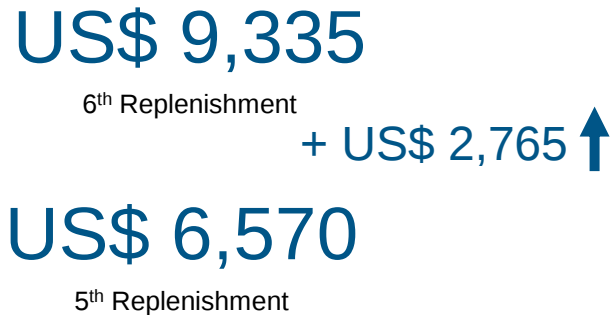
Pledge adjustments in \$ M, pledge quality in %



- Unprecedented US\$ 4.4Bn cash conversion for the past 6 months (+US\$ 2.5Bn cash conversion in Q4 2021).
- Pledge quality improved by +3%pt to 95% in 6th replenishment
- Value of pledge adjustments is lower by US\$ 165M and currently stands at US\$ 862M in 6th replenishment despite higher pledge announcements.

Cash Conversion ¹

in \$ M



- Cash receipts of US\$ 9,335M higher by +US\$ 2,765M in 6th replenishment cycle compared to the similar period under the 5th replenishment.
- Acceleration in cash conversion to 54% (vs. 29% reported at AFC17), slightly behind conversion levels of 59% at end year 2 for the 5th replenishment.

Note: Some totals may not add up due to rounding.

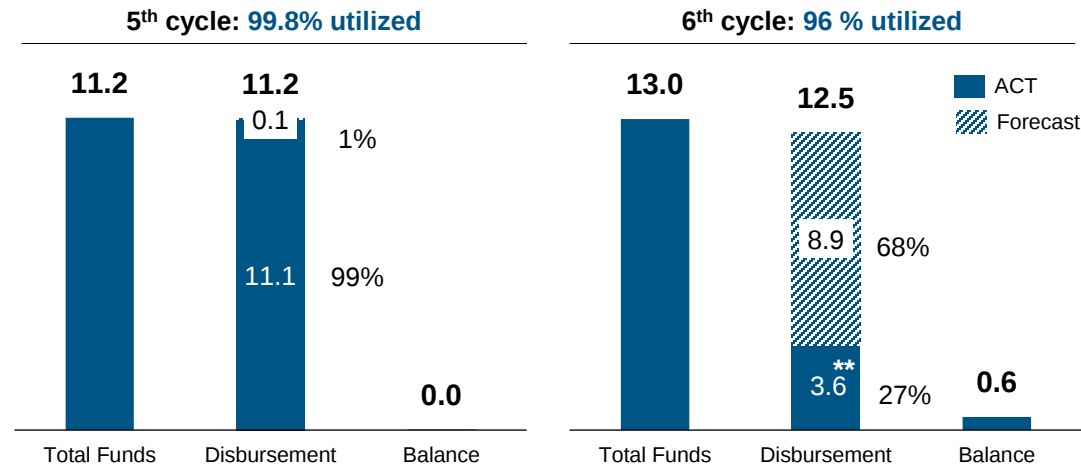
1. Amounts in US\$ millions at reference rate, actuals to 31 December 2021

Grant financials – 2021 illustrates a stable and strong financial performance, leveraging improvements implemented since the 5th rep cycle

Summary - Grants

Corporate Grants – Allocation Utilization

Fcst Disb / Allocation. in \$ Bn, AU in %



- The end of the 5th cycle comes with a strong AU of ~99.8% with US\$ 11.1Bn already disbursed.
- High AU of 96% for the 6th cycle with ~US\$ 3.4Bn disbursed in the first year (2021) of implementation, representing a ~40% scale up in disbursement compared to the similar period for year 1 of the 5th cycle.
- 27% of the 6th cycle total budget already disbursed in Year 1 of implementation.

¹ Within agreed margin +/- 4-5%

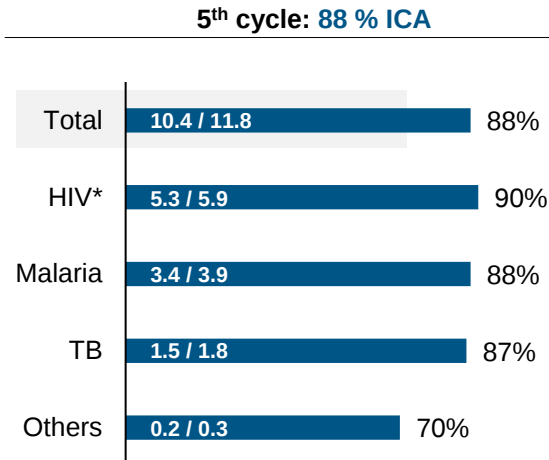
* Includes HIV/TB grants

** Includes extensions reclassification from 5th to 6th

NB: Figures are rounded.

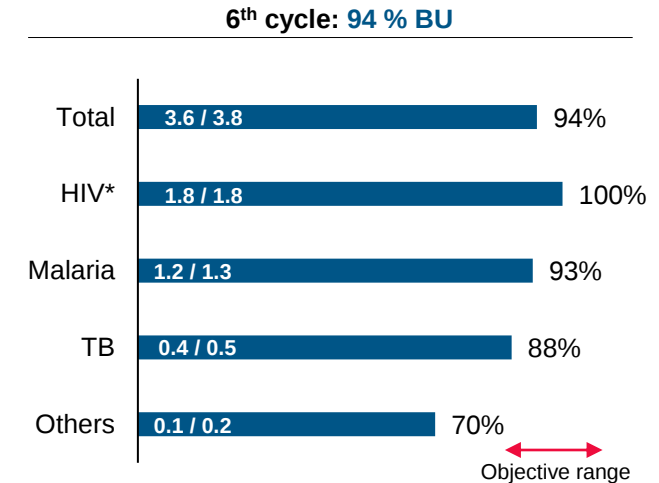
In-Country Absorption (ICA)

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



- Unprecedented in-country absorption for 5th cycle with 88% of Budget fully utilized by implementers. Further increase expected with the ongoing validation of grant closures.
- Achievement with in-country absorption 3% (point) above the secretariat target ICA of 85% (within the margin of +/- 4-5%) and 13% (point) above the board mandated KPI of 75%.
- RSSH and others remains behind secretariat and board mandate target, with remedial actions to be defined for NFM 3 cycle.

Budget Utilization (BU)



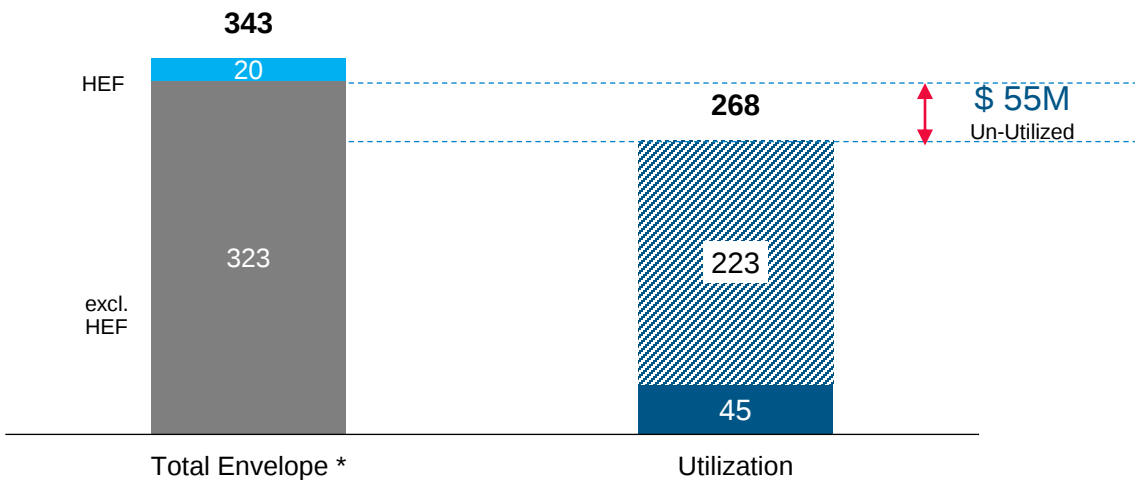
- 94% Budget Utilization for Year 1 of 6th cycle illustrates the highest level of disbursement for HTM.
- ICA of the 6th cycle will be determined with the validation of expenditure reports of Year 1, due in Q1/Q2 2022.
- At disease component level, overall budget utilization for Year 1 remains high at >90%, except for RSSH & others.

Strategic Initiatives – 6th rep : Fund Utilization forecast remains at 83%, with potential unused funds of US\$ 55M

Summary - Strategic Initiatives (SI)

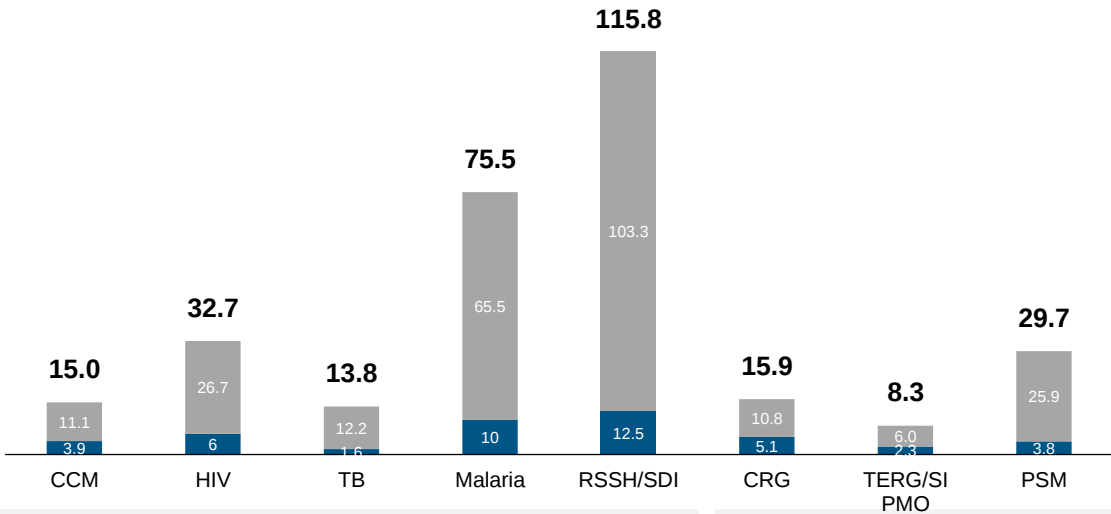
in \$ M

Envelope vs. Utilization Forecast



- For 2020-2022 cycle, 83% fund utilization is expected (of which US\$ 45M are actuals and US\$ 223M remain forecasted), in line with previous forecast.
- 2021 actuals expenditures of US\$ 45M exceed forecast of US\$ 35M. Implementation expected to progress in 2022 as agreements with technical partners were signed and workforce onboarded.
- Portfolio Optimization is under consideration with the demand expected to be formulated in Q2 2022, after assessment of the performance of each SI, with objective of absorbing the potential unutilized amounts of US\$ 55M.

Utilization by Area



- Cumulative US\$ 45M or 14% fund utilization at end of December 2021 (vs 4% in June 2021). In Q4 2021, more agreements were initiated with partners such as WHO & IDA.
- Implementation for Initiatives like Mal.3 and RSSH Data is expected to accelerate in 2022, which will positively impact the conversion of forecasts in actual disbursements.
- CRG, TERG and CCM Initiatives fund utilization reach more than **25%**, also benefiting from early start and/or continuation of activities.

SI	Total US\$ M	Managed by Partners	Managed by TGF
Funding	323	20%	80%
Utilization	45	23%	12%

96% OPEX Budget execution achieved despite continuous impact of Covid 19. Underspend mainly driven by Risk & Assurance (external and organizational)

Summary - Operating Expenses

in \$ M

OPEX by Nature

	Actuals	Revised Budget*	Variances	
	YTD	YTD	2021 Actuals vs Revised Budget	
	December 2021	December 2021	abs	%
LFA Fees	46.0	48.3	(2.3)	(4.7%)
CCM Funding	7.6	9.5	(1.9)	(20.3%)
Costs Secretariat and OIG	236.6	252.8	(16.2)	(6.4%)
Workforce	171.5	172.9	(1.4)	(0.8%)
Staff	158.7	163.1	(4.4)	(2.7%)
Individual / Temp Consultants	12.8	9.9	2.9	29.9%
Professional fees	32.7	33.5	(0.8)	(2.4%)
Travel	0.8	13.5	(12.7)	(94.3%)
Meetings	0.8	2.6	(1.9)	(71.2%)
Communications	1.7	1.5	0.1	9.0%
Office Infrastructure	23.4	21.5	2.0	9.2%
Board Constituency	0.4	1.6	(1.2)	(75.8%)
Depreciation	5.4	5.6	(0.2)	(4.0%)
External Co-Funding	(0.0)	0.0	(0.0)	100.0%
Opex before non-recurring costs	290.2	310.6	(20.4)	(6.6%)
Total Non-recurring costs	13.6	4.4	9.2	208.5%
Total OPEX	303.8	315.0	(11.2)	(3.6%)

OPEX by Thematic Area

	Actuals	Revised Budget*	Variances	
	YTD	YTD	2021 Actuals vs Budget	
	December 2021	December 2021	abs	%
Secretariat Operational Capabilities	149.7	151.6	(2.0)	(1.3%)
Resource Mobilization	18.3	18.7	(0.4)	(2.1%)
Grant Operations	78.3	84.6	(6.3)	(8.1%)
Oversight & Support Functions	53.0	48.3	4.7	9.0%
Programmatic Capabilities	35.5	35.1	0.4	1.2%
Supply Operations	13.6	14.4	(0.8)	(5.8%)
Strategic Investment & Impact	22.0	20.7	1.2	5.5%
Organizational Risk & Assurance	17.8	20.8	(3.0)	(16.7%)
Second Line Oversight	5.1	5.9	(0.8)	(15.1%)
OIG (independent)	12.7	14.9	(2.2)	(17.3%)
Digitalization and IT security	41.5	42.8	(1.3)	(3.2%)
In-Country & External Assurance	59.2	64.6	(5.4)	(9.1%)
Independent Bodies (TRP & TERG)	3.6	3.9	(0.3)	(7.3%)
External Assurance	55.6	60.7	(5.1)	(9.3%)
Total Opex	303.8	315.0	(11.2)	(3.7%)

- Budget execution for the year stands at 96% with underspend driven by lower in-country external assurance and grant operations with delays in staff onboarding, travel & meetings, use of GHC facilities and project reprioritization.
- A US\$ 5.4M underspend in In-Country & External Assurance (across LFA, CCM & PDQA), continues to reflect the impact of Covid-19. OIG and second line also impacted by Covid-19 limitations (US\$ 3 M underspend)
- Proactive reallocations and reinvestments in key areas, mainly focused on Programmatic Capabilities (specifically Health Finance), Resource Mobilization ahead of the Replenishment, IT systems & projects partially offset the underspend.

* 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

NB: Figures are rounded.

C19RM Management and Operating Costs Forecast

C19RM - Summary

Management & Operating Costs by Nature	C19 RM	C19 RM	C19 RM
in kUSD	Initial Budget	Forecast (31 Jan 2022)	Actuals Dec YTD
	2021 - 2023	2021 - 2023	2021
LFA Fees	25,000	25,000	6,629
CCM Funding	3,000	3,000	1,937
Secretariat Costs & OIG	64,156	79,820	11,039
Workforce	34,651	48,103	6,420
Staff	30,151		4,714
Individual Consultants	4,500		1,707
Professional Fees	4,700	16,212	4,521
Travel	-	-	1
Meeting	-	-	
Communications	-	-	97
Unallocated C19 Funds	24,805	15,505	-
Total Opex before non-recurring	92,156	107,820	19,604
Non-recurring costs	-	-	-
Total Operating Expenses	92,156	107,820	19,604

NB: Figures are rounded.

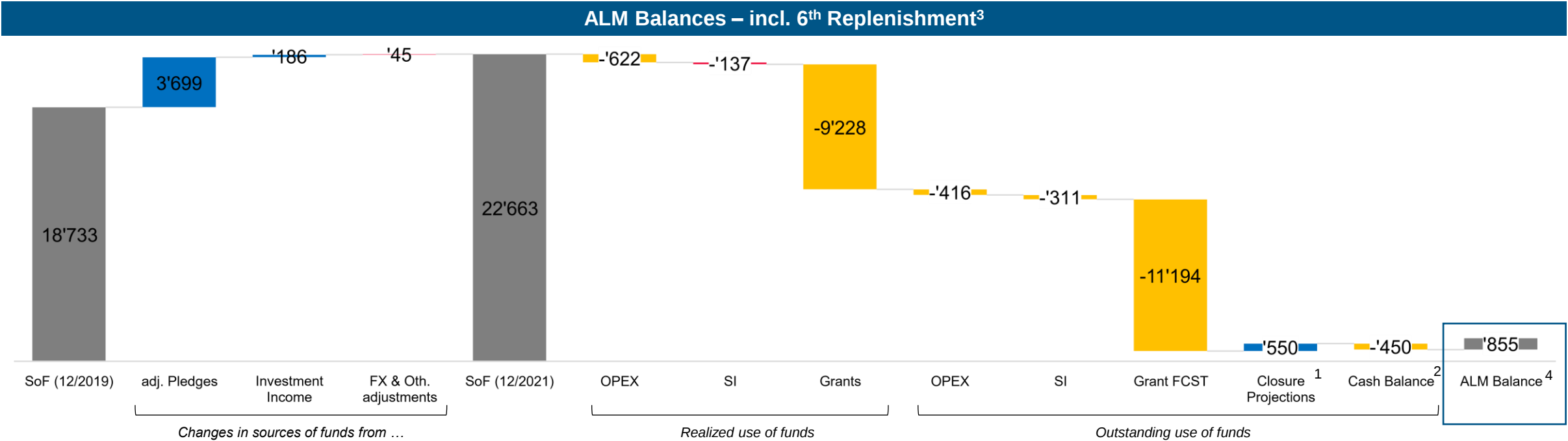
Management & Operating Costs by Thematic Area	C19 RM	C19 RM	C19 RM
in kUSD	Initial Budget	Forecast (31 Jan 2022)	Actuals Dec YTD
	2021 - 2023	2021 - 2023	2021
Secretariat Operational Capabilities	17,401	34,992	4,349
Programmatic Capabilities	14,321	25,040	5,446
Organizational Risk & Assurance	3,205	1,349	192
Digitalization and IT security	1,425	1,733	1,052
In-Country & External Assurance	31,000	29,200	8,565
<i>Unallocated Amount</i>	<i>24,805</i>	<i>15,505</i>	<i>-</i>
Total Operating Expenses	92,156	107,820	19,604

- With near completion of workforce onboarding (97 positions filled at end of Dec 2021 out of 133) C19RM operating cost for Secretariat will significantly increase.
- Initial lower spend in LFA Fees and on non-LFA spot checks. Expected acceleration in 2022, with the implementation of programs that started in late 2021.
- The Secretariat will continue to update AFC through the Financial Performance oversight

Positive ALM balance of US\$ 855M mainly driven by C19RM 2021.

Summary - ALM

in \$ M



- Overall positive ALM balance of US\$ 855M
- US\$ 577M of the overall ALM is directly attributable to C19RM 2021, leaving US\$ 278M of positive ALM for 4th, 5th & 6th Replenishment.
- Close monitoring of C19RM 2021 performance and implementation in 2022 will define the needs for re-programming and C19RM Portfolio Optimization to cushion the positive ALM balance over the 6th Cycle.

NB: Figures are rounded.

1 5th Closure projections of 5th (Stage 2 & 3)
2 Cash balance closure from both, 5th and 6th cycle
3 ALM balances inclusive of amounts related to Grants, OPEX, SI, C19RM and Centrally Managed Investments
4 Totals may not add due to rounding

Financial update on C19RM uses and sources

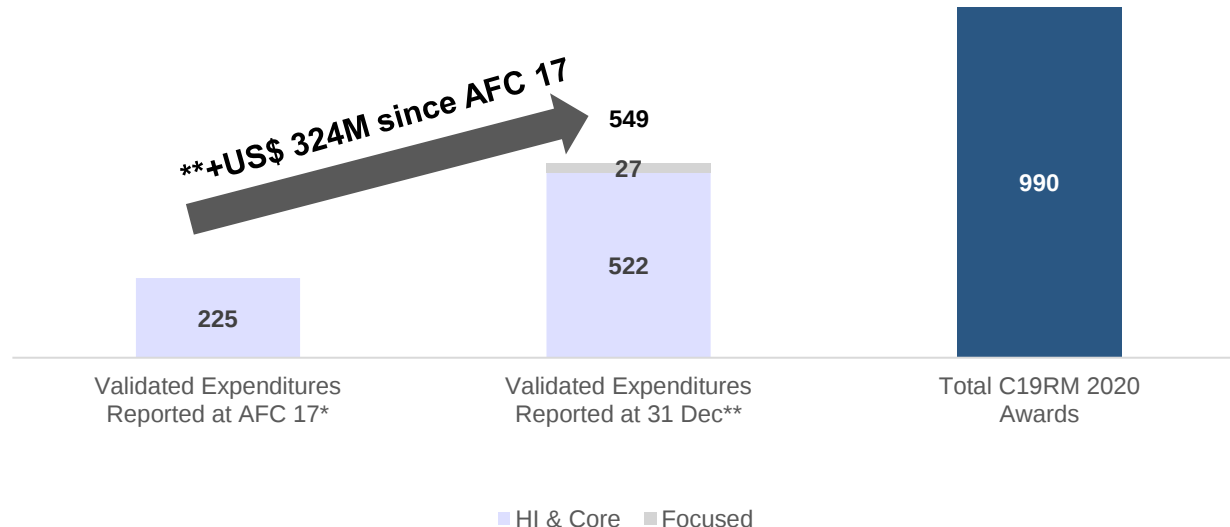
C19RM 2020 - current in-country utilization of 55% based on validated expenditures on track to reach the expected target of 63% - 70% once expenditure validation, including closure process is completed

C19RM 2020 - Summary

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

in \$ M

In Country Utilization of Funds 55%



- **C19RM 2020 in-country utilization is 55%** and on target to reach the expected utilization range of **63% - 70%** (estimate reported in AFC 17) with expenditures currently under validation in the grant closures & forthcoming expenditure reports.
- Substantial increase in validated expenditure to **US\$ 549M** (compared to **US\$ 225M** in AFC 17 for HI & Core grants only).
- Unused C19RM 2020 allocation is not considered as expired as these are transferred to C19RM 2021 with a use by date of 31 December 2023.

*Only expenditure for HI & Core reported at AFC 17

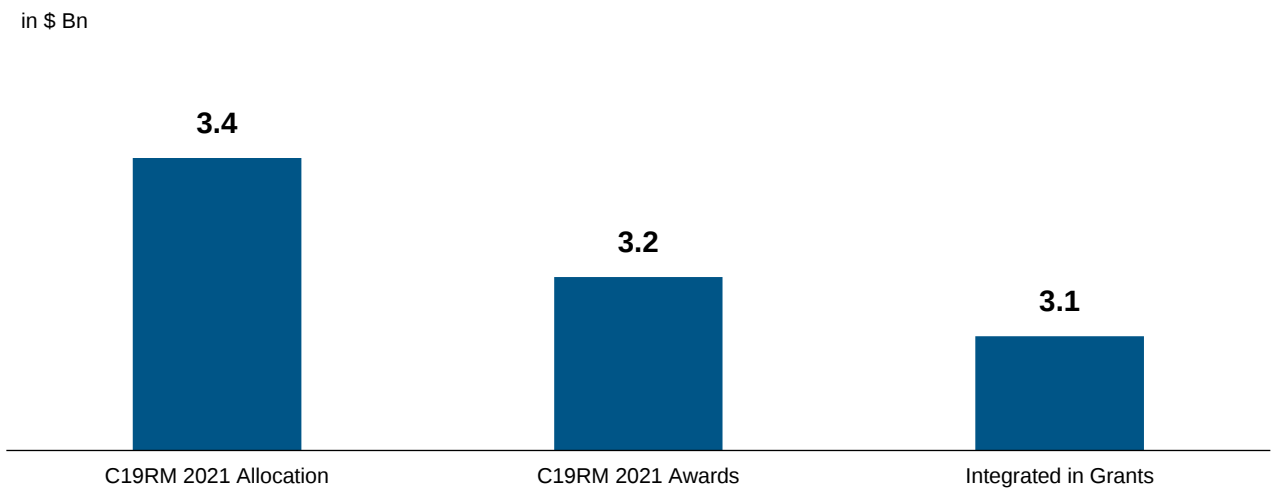
** Validated expenditure at 31 Dec include HI, Core & Focused as in country utilization is being calculated using as denominator total awards of US\$ 990M for AFC 18. Applying the same methodology as AFC 17, i.e., for HI & Core (with a denominator of US\$ 895M), the in-country utilization of funds would be 58%.

NB: Figures are rounded.

C19RM 2021 – 94% conversion rate of C19RM 2021 allocation into awards during the 8 months from May to December 2021, with implementation starting later in 2021

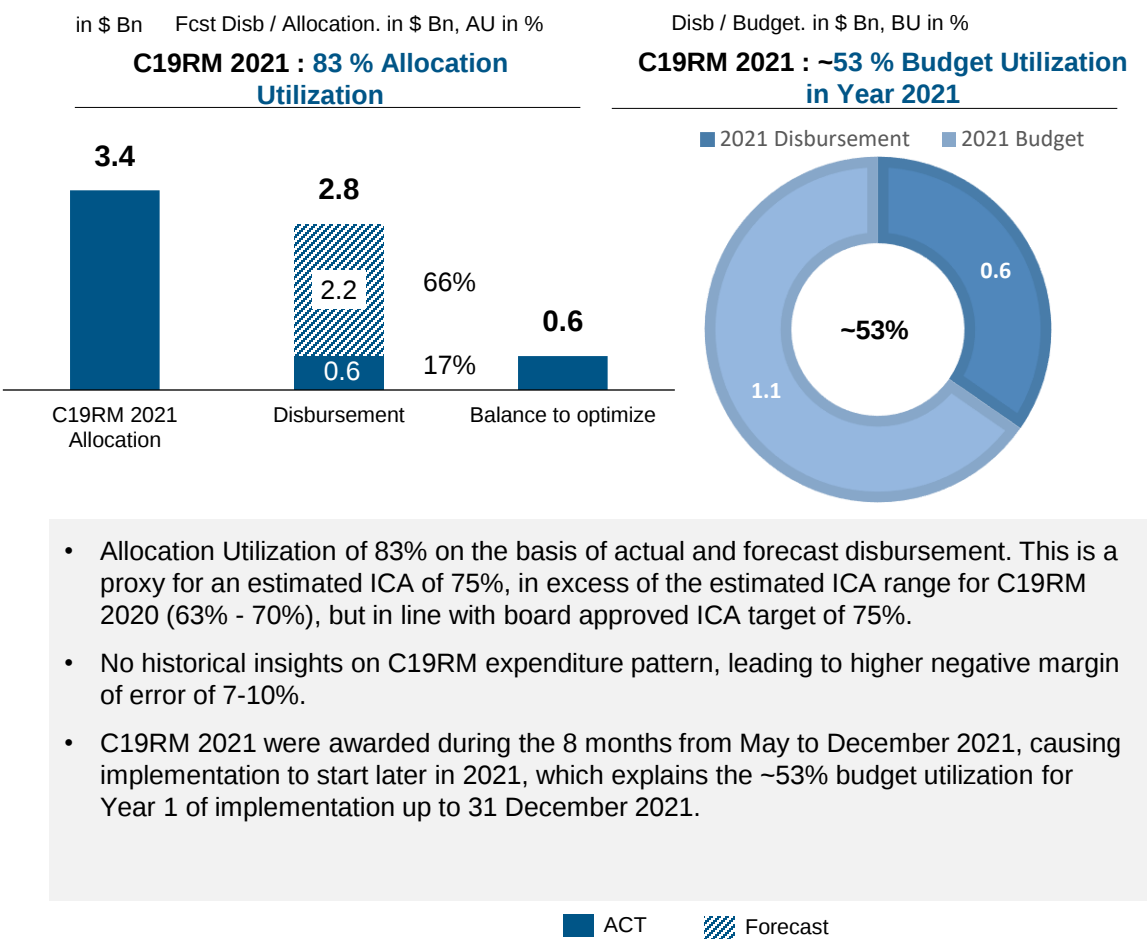
Summary – C19RM 2021

C19RM 2021 – Allocation of Awards & Integration



- On the upstream front, outstanding conversion rate of C19RM 2021 Allocation into awards, followed by timely recording of contingent liabilities and integration of budgets in grants:
 - 94% of allocation (US\$ 3.2Bn) converted into awards in 2021.
 - 100% awards (US\$ 3.2Bn) recorded as contingent liabilities.
 - 97% of awards (US\$ 3.1Bn) integrated in grants.

C19RM 2021 – Allocation Utilization & Budget Utilization



- Allocation Utilization of 83% on the basis of actual and forecast disbursement. This is a proxy for an estimated ICA of 75%, in excess of the estimated ICA range for C19RM 2020 (63% - 70%), but in line with board approved ICA target of 75%.
- No historical insights on C19RM expenditure pattern, leading to higher negative margin of error of 7-10%.
- C19RM 2021 were awarded during the 8 months from May to December 2021, causing implementation to start later in 2021, which explains the ~53% budget utilization for Year 1 of implementation up to 31 December 2021.



Annex

Overall improvement of absorption in 5th Cycle across investment landscapes compared to 4th Cycle, building strong grounds for implementation of the 6th Cycle

Deep Dive – In-Country Absorption

In-Country Absorption Level by Investment Landscape															
Investment Landscape	WCA				Rest of Africa				Rest of World				Portfolio 17 -19	Portfolio 14 -16	
	HIV *	TB	Malaria	Others	HIV *	TB	Malaria	Others	HIV *	TB	Malaria	Others			
Health Equipment	60%	61%	48%	57%	57%	86%	76%	53%	87%	83%	92%	14%	74%		86%
Health products/commodities and PSM related costs	89%	87%	87%	89%	83%	87%	84%	63%	91%	95%	92%	44%	86%		88%
Human Resources including Fiscal Agents	111%	98%	98%	91%	85%	86%	92%	81%	95%	93%	94%	70%	94%		87%
Indirect and Overhead Costs	89%	86%	88%	72%	115%	79%	92%	60%	83%	80%	84%	70%	90%		80%
Infrastructure and Non-Health Equipment	72%	42%	77%	64%		101%	97%	41%	78%	56%	89%	14%	115%		88%
Capacity Building and Technical Assistance	89%	85%	90%	76%	79%	82%	91%	103%	80%	72%	89%	28%	84%		92%
Human Resources for Health	97%	91%	94%	87%	85%	98%	76%	83%	96%	94%	95%	93%	92%		85%
Program related costs	79%	81%	84%	78%		105%		80%	76%	77%	73%	60%	93%		79%
Total	89%	82%	87%	80%	91%	90%	89%	71%	88%	86%	89%	49%	88%		86%

Investment Landscape with In-Country Absorption



Outlier > 120%



> 85%



> 65%



< 65%

Key Insights

- Overall higher absorption of +90% in: infrastructure; human resources including fiscal agents; human resources for health; program related costs; indirect & overhead costs.
- Focus areas to improve absorption for the next cycle: **health equipment, capacity building and technical assistance with lower ICAs of 74% and 84% compared to NFM 1.**
- Despite respective in-country disruptions as a result of the Covid-19 pandemic which started in 2020, ICA remains strong at 88% for the 5th cycle.

In-Country Absorption across modules largely within target range – continuous monitoring of lower ICA intersections

Deep Dive – In-Country Absorption

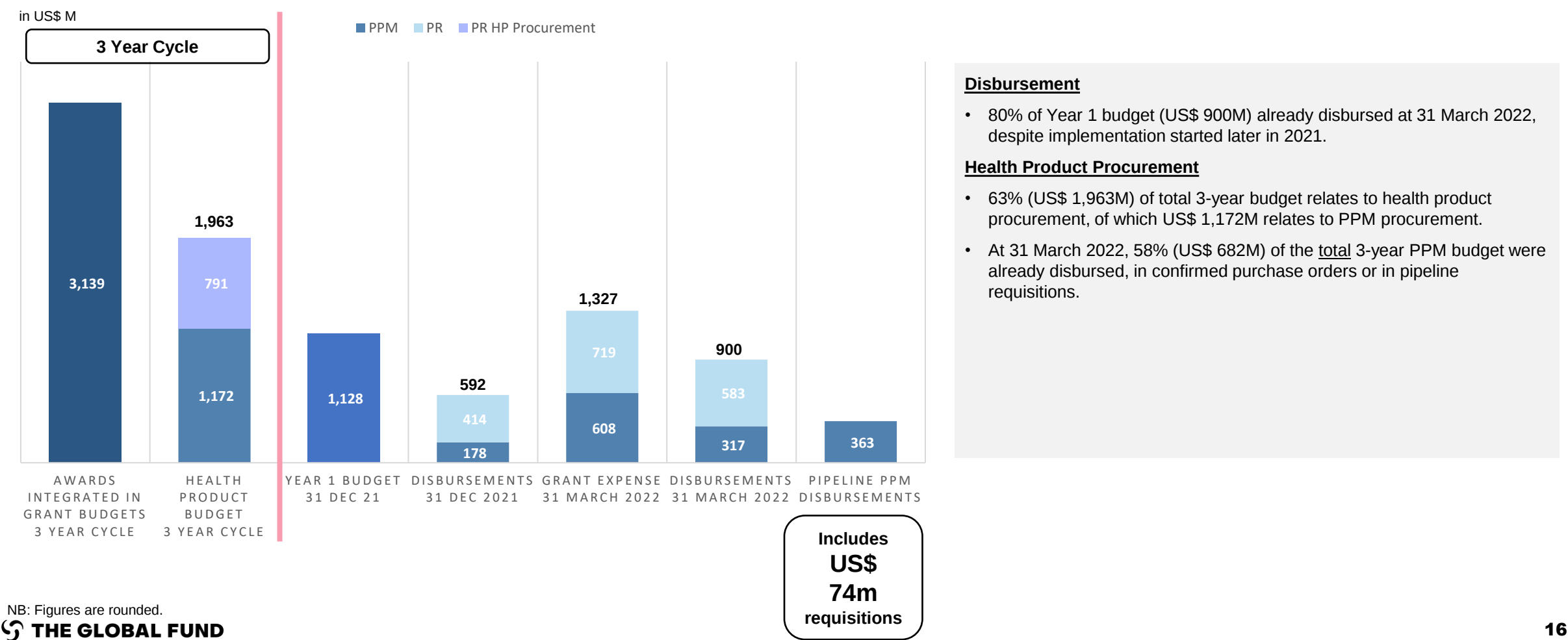
In-Country Absorption Level by Investment Landscape (17-19)														
Module Name..		WCA				Rest of Africa				Rest of World				ICA (Budget \$M)
Module Name		HIV *	TB	Malaria	Others	HIV *	TB	Malaria	Others	HIV *	TB	Malaria	Others	
Vector control	Vector control													86% (1,760)
Prevention	Comprehensive prevention programs for MSM													88% (106)
	Comprehensive prevention programs for people who inject drugs (PWID)..													91% (127)
	Comprehensive prevention programs for sex workers and their clients													88% (133)
	Comprehensive prevention programs for TGs													83% (12)
	Comprehensive programs for people in prisons and other closed settings													86% (10)
	PMTCT													67% (98)
	Prevention programs for adolescents and youth, in and out of school													80% (172)
	Prevention programs for general population													89% (135)
	Prevention programs for other vulnerable populations													83% (58)
	Specific prevention interventions (SPI)													93% (153)
Treatment	TB care and prevention													84% (936)
	Case management													88% (875)
	Differentiated HIV Testing Services													93% (239)
	MDR-TB													92% (683)
	TB/HIV													74% (103)
RSSH Related	Treatment, care and support													92% (2,745)
	RSSH: Community systems strengthening													74% (72)
	RSSH: Financial management systems													99% (42)
	RSSH: Health management information systems and M&E													83% (437)
	RSSH: Health products management systems													82% (239)
	RSSH: Health sector governance and planning													88% (25)
	RSSH: Human resources for health, including community health workers													77% (203)
	RSSH: Integrated service delivery and quality improvement													71% (160)
Others	Payment for results													52% (16)
	Reducing human rights-related barriers to HIV/TB services													82% (59)
Program Mana..	Program management													94% (1,490)
Grand Total														88% (11,090)

Key Insights

- Continuous monitoring and proactive steering of In-Country Absorption levels important to maintain overall trend of high ICA
- In aggregate trend towards 85% target for majority of modules with those outside within 10% variation range
- Improvement focus for next cycle on instances below target for RSSH and prevention modules

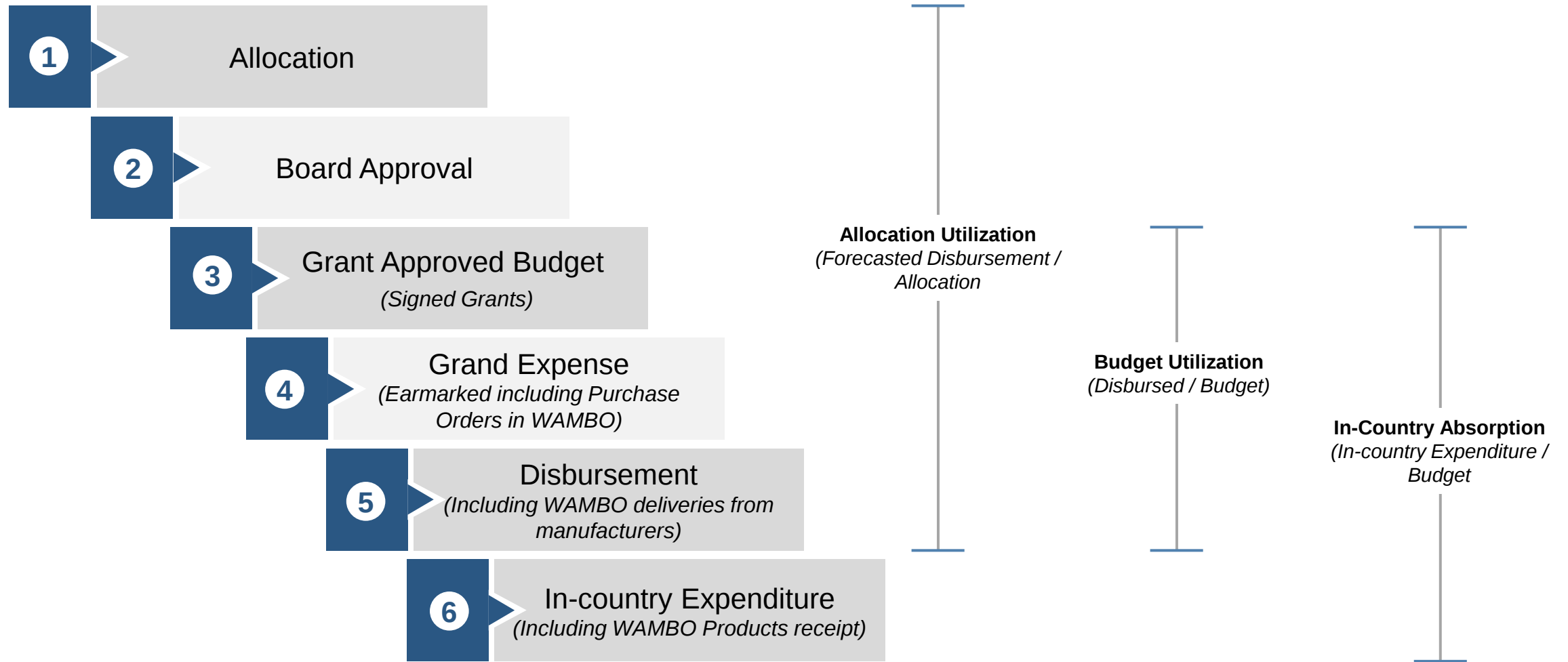
Disbursements at 31 March 2022 accelerated to 80% of Year 1 budget despite implementation starting late in 2021, following completion of award stage

Summary – C19RM 2021 Financials



Reminder: Grant Financial Cascade

Budget Utilization as a proxy to in-country absorption for 1st Year implementation



- Given our operating model and execution cascade, first year of grant implementation does not provide the appropriate measure for ICA, and we generally leverage a proximal indicator "Budget Utilization" that measures the release of funds for Goods & Services to be delivered at country level.
- We should focus and accelerate on improved Budget Utilization to enable execution at country level and achieve appropriate levels of In-country Absorption (ICA).

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 Budget Utilization

A forward-looking metric providing visibility on actual disbursements against the latest approved budget and implementation period. This effectively measures the release of funds for Goods & Services to be delivered at country level.

Uses of Funds cont.

2. Grants cont.

2.3 In-Country Absorption

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

2.4 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 flexibilities.

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 vs 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.



Thank You