



World Bank

Trustee for The Global Fund to Fight AIDS, Tuberculosis and Malaria

Trustee Report

As of September 30, 2011

Introduction

1. This report summarizes the financial situation of the Global Fund Trust Fund as of September 30, 2011, prepared by the World Bank in its capacity as Trustee.¹

2. Section I describes the Trust Fund's cash and funding status, including information on the status of donor contributions, investment income, grant commitments and disbursements, and funds available for commitment. Section II provides an update on other financial management issues.

I. Financial Status

3. **Contributions:** During the first nine months of 2011, the Trustee received approximately USD equivalent 1,001 million in contributions² in the form of cash and promissory notes, representing a 33% decrease over the same period in 2010 (Table 1). Details of the contributions received from all 59 donors³ are provided in Annex I.

Table 1
Contribution receipts by quarter (USD eq. millions)*

Quarter	2009	2010	2011
	January to March	521	255
April to June	764	109	345
July to September	1,295	1,119	46
October to December	851	1,229	
Total	3,431	2,712	1,001

* Includes FX adjustments to outstanding promissory notes.

4. **Contributions receivable:**^{4,5} In addition to contributions received in the form of cash and promissory notes, as of September 30, 2011, the Trust Fund held a total of USD equivalent 371 million in contributions receivable, of which USD equivalent 21 million are due in 2011 and USD

¹ The World Bank has been Trustee of the Trust Fund since the Global Fund was established in 2002, pursuant to the trustee agreement between the World Bank and the Global Fund.

² Includes both the main Global Fund account and the AMFm sub-account. The total amount of contributions received under the Global Fund's main account includes the contribution payments under the Debt2Health and (Product)^{RED} agreements.

³ This figure excludes individual donors who contribute through the UN Foundation, the World Health Organization and the Global Fund (through (PRODUCT)^{RED} and various other donors). Details on donor contributions can also be found at <http://www.theglobalfund.org/en/about/donors/>

⁴ Includes both the main Global Fund account and the AMFm sub-account.

⁵ Contributions receivable represent pledges confirmed by donors pursuant to signed contribution agreements between donors and the Trustee. Contributions are paid either immediately upon signing of the contribution agreement or paid over time in accordance with agreed payment schedules.

equivalent 350 million thereafter. These amounts include USD equivalent 59 million contributions receivable from donors under the Debt2Health arrangements (see below).

5. **Innovative financing initiatives/mechanisms** are being used by the Global Fund to build new partnerships and to raise additional resources from non-traditional sources. **(PRODUCT)^{RED}** and **Debt2Health** are two such financing mechanisms, each operating under its own contribution arrangements. As of September 30, 2011, the Trustee has received contributions totaling USD 119 million from the Global Fund under (PRODUCT)^{RED} arrangements. Under the Debt2Health arrangements, contribution agreements have been signed with Indonesia for EUR 25 million and AUD 37.5 million, with Pakistan for EUR 20 million and with Cote d'Ivoire for EUR 9.5 million. Of the USD equivalent 59 million currently due under the signed Debt2Health agreements, EUR 5 million and AUD 34 million is due under the agreement with Indonesia, EUR 5 million under the agreement with Pakistan and EUR 9 million under the agreement with Cote d'Ivoire. Please refer to Annex II for more details.

6. **Investment income:**⁶ The Global Fund Trust Fund's liquid portfolio earned 1.49%, or USD equivalent 72 million, in the first three quarters of 2011, on an average balance of USD equivalent 4.85 billion (USD equivalent 5.3 billion at the start of 2011 and USD equivalent 4.4 billion at end September 2011). Although these returns are lower than the 2.6% earned in the same period last year, they compare well to those of other asset classes over the same period (see Table 2).

Table 2. Selected summary financial market data

Rates	30-Sep-11	YTD Chg. (bp)	Equities	30-Sep-11	YTD Chg. (%)
US 3mth Libor	0.374	7	S&P500	1,131	-10.0%
EU 3mth Libor	1.495	56	Dow Jones	10,913	-5.7%
US 2yr Yields	0.243	-35	Nasdaq	2,415	-9.0%
EU 2yr Yields	0.550	-31	FTSE	5,128	-14.1%
UK 2yr Yields	0.579	-52	DAX	5,502	-21.2%
JP 2yr Yields	0.145	-6	CAC40	2,982	-23.6%
US 10yr Yields	1.915	-138	Nikkei	8,701	-16.1%
EU 10yr Yields	1.887	-108	Hang Seng	18,011	-21.8%
UK 10yr Yields	2.430	-97	MSCI World	1,130	-11.8%
JP 10yr Yields	1.000	-17	Currencies	30-Sep-11	Level on 31-Dec-10
Credit	30-Sep-11	YTD Chg. (bp)	EUR-USD	1.339	1.34
US Investment Grade	144	59	GBP-USD	1.558	1.561
EU Investment Grade	202	97	USD-JPY	77.060	81.120

7. The Global Fund Trust Fund's assets are allocated across three investment portfolios (or Tranches) managed by the World Bank as Trustee and commingled with the assets of the other trust funds administered by the World Bank:

- a. a cash portfolio comprised of bank deposits and investments in money market instruments with an investment horizon of less than 3 months (Tranche 0);
- b. a short-horizon portfolio with a broader range of securities and an investment horizon of up to one year (Tranche 1);
- c. and a longer-horizon portfolio with more instruments and an investment horizon of up to three years (Tranche 2).

8. Consistent with the Trust Fund's investment objective of maximizing returns subject to capital preservation, and given the risk to capital posed by a potential increase in interest rates from historically low levels, the durations (i.e. the weighted-average time to maturity) of both Tranches 1

⁶ Includes both the main Global Fund account and the AMFm sub-account.

and 2 have been reduced⁷ to less than 6 months for Tranche 1 and less than 1.5 years for Tranche 2. Table 3 presents the allocation of GFTF assets across these Tranches. The majority—about two-thirds—is in Tranche 2, and one-quarter is in Tranche 0.

Table 3. GFTF Asset Allocation across World Bank Investment Tranches

	1-Jan-11	30-Sep-11
Tranche 0	1,536,802,135	1,098,311,231
Tranche 1	178,889,198	487,458,594
Tranche 2	3,585,398,975	2,858,767,553

9. The resulting portfolio allocation by asset class is presented in Table 4.

Table 4. GFTF Asset Allocation as of September 30, 2011

	Sep-11	Dec-10	Change
Domestic Government Bonds	28%	25%	3%
Mortgage-Backed Securities	20%	25%	-5%
Asset-Backed Securities	4%	1%	3%
Agency Bonds	4%	4%	1%
Sovereign Guaranteed Bonds	12%	17%	-6%
Money Market Instruments	25%	28%	-3%
Corporate Bonds	3%	0%	3%
Deposit Currency Swaps	3%	0%	3%
	100%	100%	

10. **Grant commitments and disbursements**⁸ have decreased in the first nine months of 2011 relative to the volumes seen during the same period in 2010. Commitments for projects and administrative budget during the first three Quarters of 2011 were USD equivalent 1.3 billion, which represents a 43% decrease over the corresponding period in 2010 (USD equivalent 2.3 billion). Since inception, the Trustee has committed USD equivalent 19.9 billion⁹ for project grants and administrative budget, of which USD equivalent 15.7 billion¹⁰ has been disbursed to Principal Recipients¹¹. The following chart shows annual project commitments and disbursements for the last three calendar years.¹²

⁷ Note that an increase in market interest rates causes bond prices to decline; the longer the maturity of the bond, the more exposed it is to such increases. This is why if interest rates are low and likely to increase, it is prudent to shorten the duration of a bond portfolio.

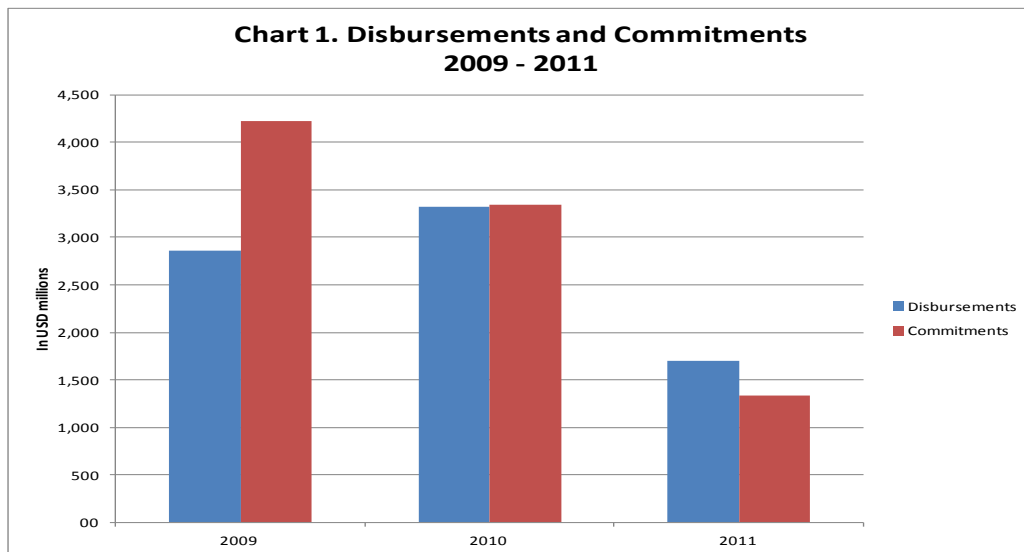
⁸ This section covers USD and the USD equivalent of EUR amounts, and includes both the regular GFATM account and the AMFm sub-account.

⁹ The total represents grant and operating budget commitments of USD 18.1 billion plus USD equivalent of EUR 1.4 billion (USD equivalent 1.8 billion) valued using exchange rates as of September 30, 2011.

¹⁰ The total represents grant and operating budget disbursements of USD 14.7 billion plus USD equivalent of EUR 787 million (USD equivalent 1 billion) valued using exchange rates as of September 30, 2011.

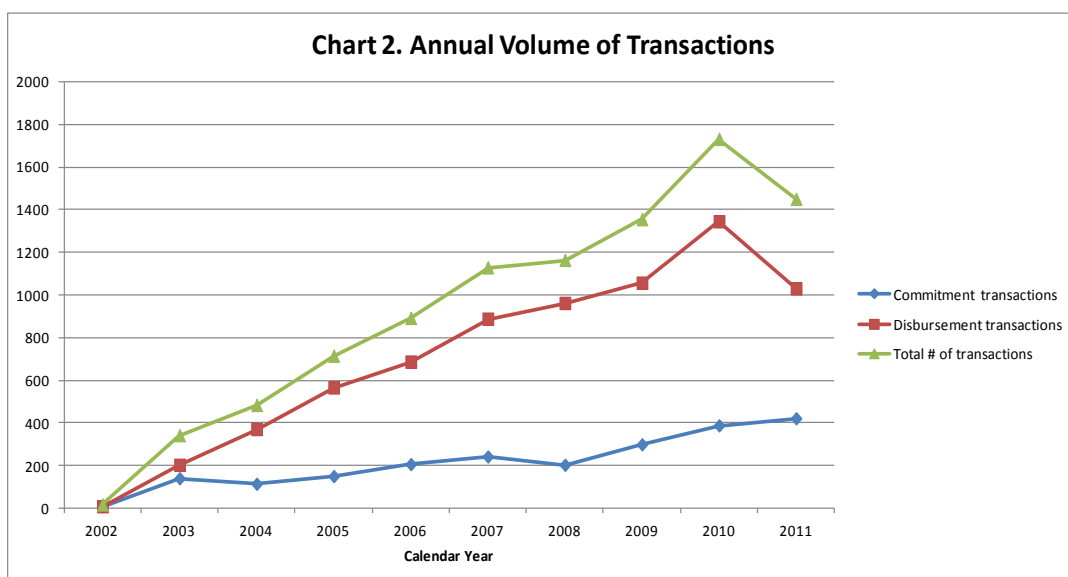
¹¹ Includes disbursements made to designated third parties as instructed by the Global Fund. Since the Trustee disburses only to Principal Recipients and designated third parties, these disbursement figures do not measure subsequent expenditures for the specific project activities.

¹² The figures for 2011 are for nine months.



11. **The Affordable Medicine Facility for Malaria (AMFm)** sub-account was established by the Trustee at the request of Global Fund Secretariat to support the AMFm operations of the Global Fund. As of September 30, 2011, USD 212.5 million of cumulative contributions had been made to the AMFm sub-account, and USD 142 million of commitments had been made against it, of which USD 100.5 million had been disbursed. As of September 30, 2011, the balance in the AMFm sub-account was USD 118 million, which included USD 5.8 million of accumulated investment income. There were no contributions receivable to the AMFm sub-account as of September 30, 2011.

12. **Trustee operations** have expanded both in volume and complexity, in line with the growth in the Global Fund’s operations. Over the life of the Global Fund Trust Fund, there has been a steady increase in the total number of disbursements made to designated third parties, including disbursements in currencies other than the currency of project grant commitment. From inception to September 30, 2011, the Trustee has received and processed 1,964 commitment and 6,499 disbursement requests. The following chart shows the trend in transaction volumes.¹³



¹³ Note: 2011 figures are to September 30 only.

13. **Funds available for commitment** are based on donor contributions received by the Trustee and investment income earned in the Global Fund Trust Fund, less approved project and operating budgets. Table 5 provides the current status of funds available for commitment, including contributions receivable from existing signed contribution agreements and grant commitments in the pipeline. As of September 30, 2011, net funds available in the Trust Fund for commitment towards new project grants and other expenses totaled USD equivalent 1,185 (comprising USD 823 million plus EUR 268 million) Global Fund Trust Fund main account, and USD 76 million under the AMFm sub-account.

Table 5
Funding Status for Regular Global Fund activities as of September 30, 2011

	Amount in EUR	Amount in USD
i) Contribution amounts received on signed agreements (1+2)	1,522,752,593	17,397,179,614
(1) Contributions received in cash	1,222,752,593	17,150,778,614
(2) Promissory Notes balance	300,000,000	246,401,000
ii) Add: Cumulative Investment Income	28,179,999	1,114,390,824
Cumulative funds available for commitment	1,550,932,592	18,511,570,438
iii) Less: Commitments made for projects & approved budget	(1,367,147,729)	(17,955,441,538)
Net funds available for commitment as of March 31, 2011	183,784,863	556,128,900 a/
Add:		
iv) Amounts available upon receipt of signed contribution agreement(s)		10,051,185
v) Contribution amounts due on signed agreements	84,480,731	256,773,307 b/
Net funds potentially available for commitment	268,265,595	822,953,392
Net funds potentially available for commitment in USD equivalent		1,185,098,531 c/

Funding Status for AMFm activities as of September 30, 2011

	Amount in EUR	Amount in USD
a) Contribution amounts received on signed agreements (1+2)	0	212,505,000
(1) Contributions received in cash		212,505,000
(2) Promissory Notes balance		0
b) Add: Cumulative Investment Income	0	5,761,431
Cumulative funds available for commitment	0	218,266,431
c) Less: Commitments made for projects & approved budget	0	(142,000,000)
Net funds available for commitment as of March 31, 2011	0	76,266,431 a/
Add:		
d) Amounts available upon receipt of signed contribution agreement(s)		0
e) Contribution amounts due on signed agreements	0	0 b/
Net funds potentially available for commitment	0	76,266,431
Net funds potentially available for commitment in USD equivalent		76,266,431 c/

Note: Non-USD currencies are valued on the basis of the exchange rates as of September 30, 2011.

a/ Funds held in Trust are valued on Mark-to-Market basis, which includes unrealized gains/losses.

b/ Only a part of the amount is due immediately; the remainder is payable on a schedule over one or more years.

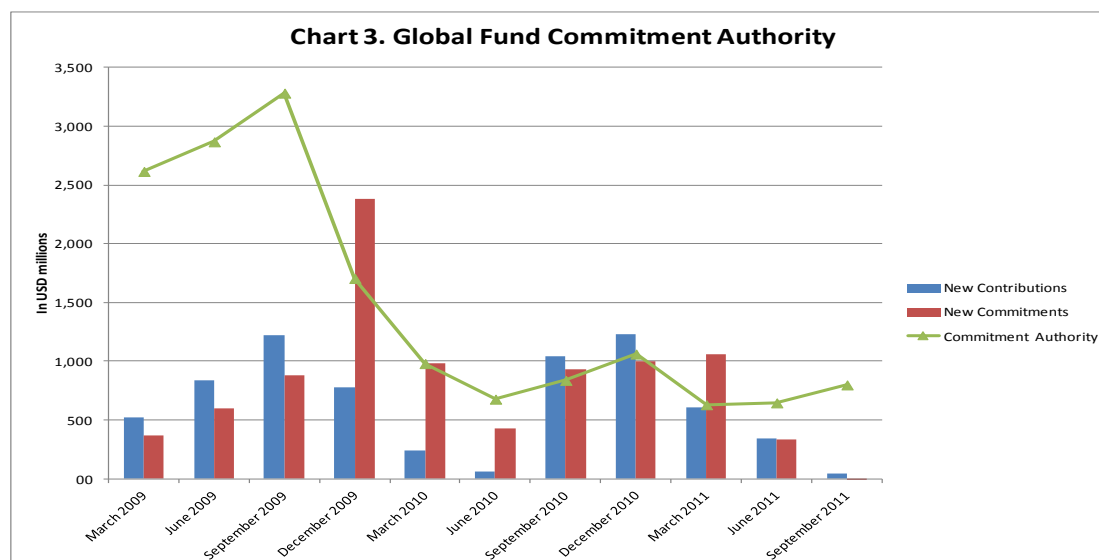
c/ Includes USD equivalent of EUR balance valued on the basis of exchange rates as of September 30, 2011.

14. Table 6 provides an overview of the movement in resources available for commitment during the last 5 quarters. Resources available for commitment in Table 6 are based on the amounts of contributions and promissory notes received and exclude the amount of contributions receivable. It also takes into account the FX adjustments in non-USD transactions.

	September 2011	June 2011	March 2011	December 2010	September 2010
a Resources at the beginning of the period	5,424	5,795	5,597	5,383	5,420
Receipts					
Cash Contribution amounts received on signed agreements	417	174	480	1,200	801
Promissory Notes ¹	-371	171	129	29	242
Investment Income	26	34	10	-01	38
b Total Receipts	* 72	* 379	* 619	* 1,228	* 1,082
Disbursements					
Project Disbursements	442	698	333	894	1,058
Other Disbursements	86	52	88	120	60
c Total Disbursements	* 527	* 750	* 421	* 1,014	* 1,118
d Resources at the end of the period (a+b-c)	* 4,968	* 5,424	* 5,795	* 5,597	* 5,383
Commitment of Resources					
Outstanding Commitment for grants at the beginning of the period	4,728	5,179	4,582	4,532	4,814
Commitments made during the period.	-61	334	1,056	997	932
Change in Commitment liability during the period	-560	-403	582	02	-269
e Outstanding Commitment for grants at the end of the period	* 4,168	* 4,776	* 5,164	* 4,534	* 4,544
f Cash Resources available for commitment at the end of the period (d-e)	* 800	* 647	* 631	* 1,063	* 839

¹ Represents activity in the Promissory Notes account (includes encashments and new notes)
* Non-USD currencies are valued on the basis of the exchange rates as of the end of the reporting period. The amount reported includes the impact of change in exchange rates.

15. The following graph provides overview of the movement in Commitment Authority during 2009-2011.



16. Table 7 provides an overview of Trust Fund activities from inception (May 31, 2002) to September 30, 2011.¹⁴

Table 7
Global Fund Trust Fund Activities as of September 30, 2011

(Expressed in USD eq. millions)

	For the Period 31-May-2002 to 31-Dec-2007	For the period 01-Jan-2008 to 31-Dec-2008	For the period 01-Jan-2009 to 31-Dec-2009	For the period 1-Jan-2010 to 31-Dec-2010	For the period 1-Jan-2011 to 30-Sep-2011	Cumulative for the Period 31-May-2002 to 30-Sep-2011
Contributions received <i>a/</i>	9,648	2,874	3,431	2,712	1,001	19,665
Project commitments <i>b/</i>	7,813	2,539	4,057	3,084	1,329	18,823
Project disbursements	4,970	2,257	2,736	3,041	1,699	14,703
Operating budget commitments <i>c/</i>	570	0	151	279	271	1,271
Operating budget disbursements	366	164	153	255	226	1,165
Investment income earned/financial return	499	291	151	148	72	1,160

Note: Totals may not add up to the totals in other reports because of rounding

a/: Includes receipt of promissory note contributions

b/: Commitments are based on signed grant agreements and approved Operating Budgets.

c/: The operating budget includes Global Fund administrative expenses, including payments for the activities of CCMs, and the Trustee fee, which is paid in two semi-annual installments in June and December.

II. Other Financial Management Items

17. **Resource Mobilization:** Donor contribution agreements usually provide funding for the Global Fund on an annual basis. The Global Fund's Board took a decision in September 2010 encouraging the Global Fund Secretariat to seek to sign multi-year contribution agreements (MYCAs) in order to shift to multi-year funding that would span the period of the new replenishment and to respond to the need for greater predictability of Global Fund resources. As of September 30, 2011, only the Grand Duchy of Luxembourg and the Government of Australia had signed MYCAs providing the payment of the contribution during the 2011 – 2013 years in the amounts of EUR 7.5 million and AUD 210 million respectively. The Grand Duchy of Luxembourg had paid the 2011 installment under the MYCA in the amount of EUR 2.5 million and the Government of Australia had paid AUD 30 million out of the AUD 40 million installment for year 2011. The 2011-2013 MYCA agreement with the Russian Federation has been concluded in October 2011 for a total amount of USD 60 million. Additionally, donors can provide contributions in the form of cash and promissory notes. To date, France and the United Kingdom have paid their contributions to the Global Fund in the form of promissory notes. As of September 30, 2011, the amount of outstanding promissory notes was EUR 300 million from France and GBP 158 million from the United Kingdom.

18. **Information Access:** In July 2011, the Trustee launched a portal for Financial Intermediary Funds (FIFs) on the "World Bank Finances" website (<https://finances.worldbank.org/>). This website provides data on donor contributions and funding approvals for the Global Fund Trust Fund and other FIFs for which the World Bank acts as trustee, which can be downloaded and filtered by the user. Upgrades to be introduced shortly enable users to retrieve, filter, and download 'real-time' financial information and run analytical reports.

¹⁴ Covers USD and the USD equivalent of EUR amounts.

GLOBAL FUND TRUST FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	May 31, 2002 (inception) to September 30, 2011		
	for AMFM activities	for Regular GFATM activities	
	<i>Amount held in USD</i>	<i>Amount held in EUR</i>	<i>Amount held in USD</i>
Receipts			
Cash Contributions:			
Andorra			100,000
Australia			202,986,145
Austria			1,075,900
Barbados			100,000
Belgium		3,750,000.00	123,832,069
Brazil			150,000
Brunei Darussalam			49,980
Burkina Faso			75,000
Canada			844,974,776
People's Republic of China			19,999,965
Cote d'Ivoire			660,965
Denmark			209,934,225
Egypt			4,807,118
European Community		108,000,000	1,062,919,431
Finland			20,176,700
France		760,750,000	1,183,990,750
Gates Foundation	20,015,000		650,000,000
Germany		202,000,000	1,119,406,918
Global Fund			180,988,581
Greece			2,150,085
Hungary			54,941
Iceland			1,120,707
India			9,999,910
Indonesia			32,515,156
Ireland		4,000,000	155,793,953
Italy			1,008,260,873
Japan			1,402,045,176
Korea			13,000,000
Kuwait			1,500,000
Latvia			10,000
Liechtenstein			771,660
Luxembourg			27,609,020
Malaysia			100,000
Mexico			199,710
Monaco			132,000
Netherlands			600,989,918
New Zealand			2,840,840
Nigeria			19,044,210
Norway			352,247,049
Pakistan			20,204,543
Poland			150,000
Portugal			14,392,600
Romania		175,000	569,545
Russian Federation			256,999,995
Saudi Arabia			28,000,000
Singapore			1,000,000
Slovenia			253,869
South Africa			10,276,704
Spain		144,077,593	507,519,247
Sweden			542,081,564
Switzerland			47,089,116
Thailand			8,999,757
Tunisia			2,000,000
Uganda			1,499,934
United Kingdom	62,490,000.00		1,220,415,978
United Nations Foundation			63,466,041
United States			5,130,190,262
World Health Organization	130,000,000		38,897,264
Zimbabwe			158,462
Total cash contributions	212,505,000	1,222,752,593	17,150,778,614
Promissory Notes Contributions (balance):			
France		300,000,000	
United Kingdom - Note 1			246,401,000
Total contributions	212,505,000	1,522,752,593	17,397,179,614
Investment income earned on cash contributions a/	5,761,431.02	28,179,999	1,114,390,824 b/
Total receipts	\$ 218,266,431	€ 1,550,932,592	\$ 18,511,570,438
Disbursements			
Payments to Global Fund		584,538	666,285,477
Payments to Global Fund under GFPF transfers			39,460,561
Payments to WHO		114,392	437,101,136
Payments for trustee administrative fees			22,290,000
Payments for administrative expenses			512,000
Projects disbursements	100,516,000	785,810,224	13,409,732,965
Total disbursements	\$ 100,516,000	€ 786,509,154	\$ 14,575,382,139
Excess of receipts over disbursements	\$ 117,750,431	€ 764,423,439	\$ 3,936,188,299
Excess of receipts over disbursements (in Equivalent USD) c/			\$ 5,085,872,151
Consisting of:			
Cash and Investments:			
Uncommitted	\$ 76,266,431	€ 301,913,150	\$ 392,634,769
Committed for grants	\$ 41,484,000	€ 462,510,289	\$ 3,437,235,440
Committed for administrative expenses			\$ 106,318,091
Promissory Notes		€ 300,000,000	\$ 246,401,000
Committed out of Promissory Notes		€ -	\$ -
Note 1: US dollars equivalent of GBP 158 million as of September 30, 2011			
a/ Investment income is presented on the current market value, which includes unrealized gains / losses, including any FX gains/losses.			
b/ Includes \$1,416,407.77 - investment income earned on GFPF sub-account.			
c/ Valued based on exchange rates as of September 30, 2011.			

GLOBAL FUND TRUST FUND
September 30, 2011

<u>Contributions receivable by due date</u>				
Donor	Due Date	Currency	Amount receivable	US\$ Equivalent
<u>GFATM Regular Contributions</u>				
Nigeria	Due immediately	USD	36,703.75	36,703.75
Thailand	12/30/2011	USD	1,000,000.00	1,000,000.00
Netherlands	12/31/2011	EUR	7,000,000.00	9,449,650.00
UN Foundation	12/31/2011	USD	394,044.00	394,044.00
Australia	12/31/2011	AUD	10,000,000.00	9,724,000.00
Indonesia	6/1/2012	EUR	5,000,000.00	6,749,750.00
Pakistan	6/1/2012	EUR	5,000,000.00	6,749,750.00
UN Foundation	12/31/2012	USD	7,733,073.19	7,733,073.19
Luxembourg	12/31/2012	EUR	2,500,000.00	3,374,875.00
Netherlands	12/31/2012	EUR	7,500,000.00	10,124,625.00
Australia	12/31/2012	AUD	70,000,000.00	68,068,000.00
Luxembourg	12/31/2013	EUR	2,500,000.00	3,374,875.00
Australia	12/31/2013	AUD	100,000,000.00	97,240,000.00
UN Foundation	12/31/2015	USD	26,410,000.00	26,410,000.00
UN Foundation	12/31/2015	USD	13,346,666.00	13,346,666.00
Indonesia	6/1/2016	AUD	33,752,386.20	32,820,820.34
Cote d'Ivoire	9/30/2018	EUR	9,030,731.26	12,191,035.66
Ireland	Unknown	EUR	45,950,000.00	62,030,202.50
Sub-total				\$ 370,818,070.45
<u>AMFm Contributions</u>				
		NIL		
Sub-total				\$ -
Total Contribution Receivable to the Global Fund Trust Fund				370,818,070.45
Note: Non-USD currencies are valued at the exchange rates as of September 30, 2011.				