

**TRUST FUND FOR THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA**

**ADMINISTERED BY THE
INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
AS TRUSTEE**

**WORLD BANK REFERENCE
TF069001**

**SPECIAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
December 31, 2008

THE WORLD BANK GROUP
Trust Funds Division
Controller's and Strategy Resource Management
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KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

The Board of Directors of
International Bank for Reconstruction and Development,
as Trustee for the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria:

We have audited the accompanying special purpose statement of assets and liabilities, and uncommitted funds held in trust of the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria (the Trust Fund) as of December 31, 2008, and the related special purpose statements of activities and change in uncommitted funds held in trust and of cash flows for the year then ended. These special purpose financial statements are the responsibility of management of the International Bank for Reconstruction and Development (Trustee). Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements, assessing the basis of special purpose presentation used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

The accompanying special purpose financial statements were prepared for the purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust as discussed in note 2, and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Trust Fund as of December 31, 2008, and the revenues commitments, and cash flows for the years then ended, on the basis of accounting described in note 2.

As more fully described in note 2 to the financial statements, the Trust Fund elected, at the beginning of 2008, to change its method of preparing its financial statements to a special purpose method, which is not a comprehensive basis of accounting.

This report is intended solely for the information and use of the board of directors and management of the International Bank for Reconstruction and Development, as Trustee of the Trust Fund, and the donors to the Trust Fund, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 18, 2009

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
TUBERCULOSIS AND MALARIA

**STATEMENT OF ASSETS AND LIABILITIES, AND UNCOMMITTED
FUNDS HELD IN TRUST**

Expressed in U.S. dollars

December 31, 2008

ASSETS

Share in pooled cash and investments	\$	5,080,917,812
Promissory notes receivable (Note 4)		455,769,492
Contributions receivable (Note 5)		<u>1,338,425,224</u>

Total assets **\$** 6,875,112,528

**LIABILITIES AND UNCOMMITTED
FUNDS HELD IN TRUST**

Liabilities

Committed for grants (Note 6)	\$	3,110,189,009
Committed for administrative budgets and trustee fees (Note 7)		<u>39,895,181</u>

Total liabilities 3,150,084,190

**UNCOMMITTED FUNDS HELD
IN TRUST**

3,725,028,338

**Total liabilities and Uncommitted Funds
Held in Trust** **\$** 6,875,112,528

The notes to Special Purpose Financial Statements are an integral part of these Statements.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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STATEMENT OF ACTIVITIES AND CHANGE IN UNCOMMITTED FUNDS HELD IN TRUST

Expressed in U.S. dollars

	Year ended December 31, 2008
Resources	
Contributions	\$ 3,692,750,534
Amortization of discount	49,610,415
Net investment income	290,835,365
Total Resources	<u>4,033,196,314</u>
Commitments	
Commitments for grants (Note 6)	2,548,636,690
Commitments for administrative budgets and trustee fees (Note 7)	-
Total Commitments	<u>2,548,636,690</u>
Foreign currency exchange (loss)/gain	<u>(78,788,708)</u>
Change in Uncommitted Funds Held in Trust	1,405,770,916
Uncommitted Funds Held in Trust, beginning of the year	<u>2,319,257,422</u>
Uncommitted Funds Held in Trust, end of the year	<u>\$ 3,725,028,338</u>

The notes to Special Purpose Financial Statements are an integral part of these Statements.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
TUBERCULOSIS AND MALARIA

STATEMENT OF CASH FLOWS

Expressed in U.S. dollars

	<u>Year ended December 31, 2008</u>
Cash Flows from Operating Activities:	
Cash contributions received	\$ 2,924,620,670
Disbursements for grants	(2,261,520,870)
Disbursements for administrative budgets and trustee fees	(164,000,819)
Net outflow from share in pooled cash and investments	<u>(499,098,981)</u>
Net cash from operating activities	-
Cash, beginning of the year	<u>-</u>
Cash, end of the year	<u><u>-</u></u>

The notes to Special Purpose Financial Statements are an integral part of these Statements.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
TUBERCULOSIS AND MALARIA

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Organization, Operations, and Trustee Responsibilities

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) was created on January 22, 2002 and operates under the laws of Switzerland. The purpose of the Global Fund is to attract, manage and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis, and malaria in countries in need, and contributing to poverty reduction.

On May 31, 2002, the Global Fund and the International Bank for Reconstruction and Development (“IBRD”) entered into an agreement (the “Agreement”) to establish a trust fund (the “Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria” or the “Trust Fund”) administered by IBRD as trustee (the “Trustee”) on behalf of the Global Fund, and this Agreement defines the Trustee’s responsibilities. In addition, as Trustee, IBRD is an ex officio member, without voting rights, of the Global Fund Board, and is a member of the Board Finance and Audit Committee.

Under the Agreement, the Trustee may accept contributions into the Trust Fund in the form of cash, promissory notes, letters of credit and similar obligations, which shall be acceptable to the Trustee, directly from public sector contributors, the United Nations Foundation (“UN Foundation”), the Global Fund and other private sector or non-governmental entities by entering into contribution agreements with contributors (the “Donors”).

The Trustee disburses the funds from the Trust Fund, only on, and in accordance with, the written instructions of the Global Fund. In accordance with the Agreement, the Trustee has no responsibility to make any investigation into the facts or matters stated in any such written instructions and may rely solely on such written instructions. Upon written request from the Global Fund, the Trustee shall verify that the funds have been transferred to the payee specified in such written instructions. Accordingly, the Trustee does not have any further responsibility under the Agreement to the Donors or the Global Fund for the use by any recipient of any funds transferred from the Trust Fund in accordance with such instructions.

Under the Agreement, the privileges and immunities accorded to the IBRD under its Articles of Agreement, apply to the assets, operations and transactions of the Trust Fund.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Basis of Special Purpose Presentation

Basis of Preparation: Due to the nature of the Trust Fund, effective January 1, 2008, the basis of preparation of the financial statements has been revised from International Financial Reporting Standards to special purpose financial statements which are better aligned to the purpose and operations of the Trust Fund. Therefore, the accompanying special purpose financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

Basis of Accounting – The Trust Fund special purpose financial statements are prepared in accordance with the accounting policies outlined below:

Share in Pooled Cash and Investments – The Trustee maintains all Trust Fund assets separate and apart from the cash and investment accounts of IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, but commingles the Trust Fund's assets with other trust fund assets administered by these entities.

Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the "Pool") for all of the trust funds administered by the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (the "World Bank Group"). The Pool is subdivided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the Bank. Generally, the Pool is invested in financial instruments such as money market instruments, government and agency obligations, mortgage-backed securities, and other high-grade bonds. Based on the Trustee's investment strategy for trust funds, each sub-portfolio is invested in a combination of these asset types consistent with the applicable risk tolerance for that sub-portfolio. The Trustee maintains the investments on a pooled accounting basis. The pooled investments are classified as held for trading (portfolio with securities acquired or incurred principally for the purpose of selling or repurchasing it in the near term) and reported at fair value. Share in Pooled Cash and Investments represents the Trust Fund's pro-rata share of the Pool's fair value at the end of the reporting period. Purchases and sales within the Pool are

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Basis of Special Purpose Presentation (continued)

accounted for at the trade date. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on generally accepted valuation techniques based on other observable market data. The corresponding proportionate interest income and investment gains/losses, accrue to the Trust Fund in the period in which they occur. The Trust Fund's share in the pooled cash and investments is not deemed to be equivalent to cash for the purposes of the Statement of Cash Flows.

Contributions and related receivables – The Trustee holds all contributions for the Trust Fund in trust for the benefit of the Global Fund, and manages them in accordance with the Agreement and/or instructions from the Global Fund. Contributions receivable are recorded as resources of the Trust Fund in the statement of activities, and reported by the Trustee upon signature of a contribution agreement between a Donor and the Trustee. Contributions received in currencies other than the U.S. dollar are converted into U.S. dollars at the market rate of exchange in effect at the transaction date. Promissory notes and contributions receivable due more than one year after the financial statements date are discounted using the applicable donor specific risk free rate. The discount is amortized over the period the contribution or note will be paid to the Trust Fund by the Donor using the effective interest method. Receivables are regularly evaluated for potential uncollectability. As of December 31, 2008, the carrying value of the promissory notes and contributions receivable approximates their fair value.

Committed for Administrative Budgets and Trustee Fees – Personnel and administrative services to support the operations of the Global Fund are provided by the World Health Organization (“WHO”) under an agreement between WHO and the Global Fund. The Global Fund approves, on an annual basis, the budget for administrative services to be paid to by the Trust Fund to WHO and to the Global Fund Secretariat. The administrative services budgets become commitments of the Trust Fund pursuant to the Global Fund's board approval and written communication from the Global Fund to commit the funds. The Trustee is compensated for the services provided to the Trust Fund under the Agreement with the Global Fund. The Global Fund approves on an annual basis, the fees to be paid to the Trustee. Upon written instructions from the Global Fund, the Trustee disburses the funds to these authorized recipients. Outstanding commitments for administrative budgets and trustee fees are recognized as liabilities.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Basis of Special Purpose Presentation (continued)

Committed for Grants – The Global Fund enters into grant agreements with the recipients of the funds. The grants become commitments of the Trust Fund upon written instruction from the Global Fund to commit the amount of the grants. The Trustee disburses such committed funds from the Trust Fund in accordance with the written instructions from the Global Fund. Grants are predominantly denominated in U.S. dollars and euro. Outstanding commitments for grants are recognized as liabilities.

Translation of Currencies – The Trust Fund financial statements are presented in U.S. dollars, which is the Trust Fund's functional and presentation currency. Transactions in currencies other than the U.S. dollar are recorded at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency exchange gain/losses.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions based upon information available as at the date of the financial statements. Actual results could differ from these estimates.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Contributions

From May 31, 2002 (inception) to December 31, 2008, the contribution amounts pledged and paid by the Donors and the Promissory notes and contributions receivable are as follows:

Donor	Currency	Pledged Amounts	Paid in Cash ¹	Promissory Notes Receivable ²	Contributions Receivable ²
Australia ³	Australian dollars	122,000,000	117,000,000	-	-
Andorra	U.S. dollars	100,000	100,000	-	-
Austria	Euro	1,000,000	1,000,000	-	-
Barbados	U.S. dollars	100,000	100,000	-	-
Belgium	Euro	89,765,756	63,765,752	-	26,000,000
Brazil	U.S. dollars	150,000	150,000	-	-
Burkina Faso	U.S. dollars	75,000	75,000	-	-
Cameroon	U.S. dollars	100,000	-	-	100,000
Canada	U.S. dollars	100,005,514	100,005,514	-	-
Canada	Canadian dollars	506,500,019	506,500,019	-	-
China	U.S. dollars	3,999,985	3,999,985	-	-
Denmark	Danish kroner	890,000,000	890,000,000	-	-
European Community	Euro	673,140,722	673,140,722	-	-
Finland	Euro	8,000,000	8,000,000	-	-
France	Euro	1,200,000,000	950,000,000	250,000,000	-
Gates Foundation	U.S. dollars	650,000,000	450,000,000	-	200,000,000
Germany	Euro	812,500,000	523,500,000	-	289,000,000
Global Fund	U.S. dollars	97,455,331	97,455,331	-	-
Greece	Euro	600,000	600,000	-	-
Hungary	U.S. dollars	55,000	55,000	-	-
Iceland	Icelandic kronur	30,000,000	30,000,000	-	-
Iceland	U.S. dollars	400,000	400,000	-	-
India	U.S. dollars	2,999,910	2,999,910	-	-
Indonesia	Euro	25,000,000	5,000,000	-	20,000,000
Ireland	Euro	170,000,000	105,000,000	-	65,000,000
Italy	Euro	790,335,717	790,335,717	-	-
Japan	U.S. dollars	846,520,012	846,520,012	-	-
Kuwait	U.S. dollars	1,000,000	1,000,000	-	-
Korea	U.S. dollars	7,000,000	7,000,000	-	-
Latvia	U.S. dollars	10,000	10,000	-	-
Liechtenstein	U.S. dollars	502,190	502,190	-	-
Liechtenstein	Swiss Francs	50,000	50,000	-	-
Luxembourg	Euro	13,550,000	13,550,000	-	-
Mexico	Mexican peso	1,130,000	1,130,000	-	-
Mexico	U.S. dollars	100,000	100,000	-	-
Monaco	U.S. dollars	132,000	132,000	-	-
Netherlands ⁴	Euro	531,000,000	335,000,000	-	150,000,000

¹ The U.S. dollar equivalent of contributions paid in cash from May 31, 2002 (inception) to December 31, 2008 is \$12,028,378,124. Contributions paid in cash for the year ended December 31, 2008 was \$2,924,620,670.

² Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2008 are provided in Notes 4 and 5, respectively.

³ During October 2005, Australia and the Trustee agreed on the cancellation of an outstanding contribution receivable of \$A5,000,000, equivalent to \$3,747,500.

⁴ During December 2004, the Netherlands and the Trustee agreed on the cancellation of an outstanding contribution receivable of €46,000,000, equivalent to \$61,311,100.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Contributions *(continued)*

Donor – <i>continued</i>	Currency	Pledged Amounts	Paid in Cash ¹	Promissory Notes Receivable ²	Contributions Receivable ²
New Zealand	New Zealand dollars	3,450,000	3,450,000	-	-
Nigeria	U.S. dollars	9,080,914	9,080,914	-	-
Norway	Norwegian kroner	1,471,882,000	1,471,882,000	-	-
People's Republic of China	U.S. dollars	8,000,000	8,000,000	-	-
Poland	U.S. dollars	150,000	150,000	-	-
Portugal	U.S. dollars	10,500,000	10,500,000	-	-
Russian Federation ⁵	U.S. dollars	155,987,477	155,987,477	-	-
Romania	Euro	350,000	350,000	-	-
Saudi Arabia	U.S. dollars	28,000,000	16,000,000	-	12,000,000
Singapore	U.S. dollars	1,000,000	1,000,000	-	-
Slovenia	Slovenian tolar	5,400,000	5,400,000	-	-
Slovenia	Euro	70,000	70,000	-	-
South Africa	U.S. dollars	8,000,000	8,000,000	-	-
South Africa	South Africa Rand	1,000,000	1,000,000	-	-
Spain	U.S. dollars	65,000,000	65,000,000	-	-
Spain	Euro	224,491,514	224,491,514	-	-
Sweden	Swedish kronor	2,996,000,000	2,996,000,000	-	-
Switzerland	Swiss francs	38,500,000	31,500,000	-	7,000,000
Switzerland	U.S. dollars	7,478,310	7,478,310	-	-
Thailand	U.S. dollars	10,000,000	6,883,150	-	3,116,850
Uganda	U.S. dollars	2,000,000	1,500,000	-	500,000
United Kingdom	Pounds sterling	689,110,990	329,110,990	80,000,000	280,000,000
UN Foundation ⁶	U.S. dollars	50,123,761	50,123,761	-	-
United States	U.S. dollars	3,328,836,853	3,328,836,853	-	-
WHO	U.S. dollars	38,897,279	38,897,279	-	-
Zimbabwe	U.S. dollars	158,462	158,462	-	-

¹ The U.S. dollar equivalent of contributions paid in cash from May 31, 2002 (inception) to December 31, 2008 is \$12,028,378,124. Contributions paid in cash for the year ended December 31, 2008 was \$2,924,620,670.

² Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2008 are provided in Notes 4 and 5, respectively.

⁵ Contribution from the Russian Federation excludes \$101,012,522 that is payable upon fulfillment of certain conditions stipulated in the contribution agreement

⁶ Excludes contribution of \$2,226,064 that is payable at the discretion of the United Nations Foundation.

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 4 – Promissory Notes Receivable

Donors may deposit non-negotiable and non-interest bearing promissory notes (“Notes”), letters of credit or other similar obligations payable in periodic installments or on demand.

As at December 31, 2008, the Trust Fund was holding promissory notes from France and the United Kingdom in the amounts of EUR 250,000,000 and GBP 80,000,000 respectively. The Notes are recorded in U.S. dollar at the market rate of exchange in effect at the reporting date, net of unamortized discount.

	France (EUR)	UK (GBP)
<i>For the year ended December 31, 2008:</i>		
Balance at the beginning of the year	€ 185,750,000	£ 120,000,000
Note deposits	€ 300,000,000	£ 50,000,000
Note encashments	(235,750,000)	(90,000,000)
Notes Receivable balance as at December 31, 2008	<u>€ 250,000,000</u>	<u>£ 80,000,000</u>
Notes Receivable maturities:		
January 1, 2009 through December 31, 2009	€150,000,000	£60,000,000
January 1, 2010 through December 31, 2010	100,000,000	20,000,000
	<u>€ 250,000,000</u>	<u>£ 80,000,000</u>
	Total U.S. Dollar	U.S. Dollar
Notes Receivable balance as at December 31, 2008	468,164,100	352,382,500
Unamortized discount as at December 31, 2008	(12,394,608)	(8,653,772)
Notes Receivable balance as at December 31, 2008, net of unamortized discount	<u>455,769,492</u>	<u>343,728,728</u>
		U.S. Dollar
		115,781,600
		(3,740,836)
		<u>112,040,764</u>

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 5 – Contributions Receivable

As of December 31, 2008 outstanding Contributions receivable are as follows:

Donor	Currency	Amount	U.S. dollar equivalent
Belgium	Euro	26,000,000	\$ 36,647,780
Cameroon	U.S. dollars	100,000	100,000
Gates Foundation	U.S. dollars	200,000,000	200,000,000
Germany	Euro	289,000,000	407,354,170
Indonesia	Euro	20,000,000	28,190,600
Ireland	Euro	65,000,000	91,619,450
Netherlands	Euro	150,000,000	211,429,500
Saudi Arabia	U.S. dollars	12,000,000	12,000,000
Switzerland	Swiss Francs	7,000,000	6,627,880
Thailand	U.S. dollars	3,116,850	3,116,850
Uganda	U.S. dollars	500,000	500,000
United Kingdom	Pounds Sterling	280,000,000	405,235,600
Sub-total			\$ 1,402,821,830
Discount on Contributions Receivable			(64,396,606)
Total Contributions Receivable			<u>\$1,338,425,224</u>
Contributions Receivable maturities:			
January 1, 2008 through December 31, 2008			\$ 716,850
January 1, 2009 through December 31, 2009			653,377,950
January 1, 2010 through December 31, 2010			666,679,055
January 1, 2011 through December 31, 2011			75,000,325
January 1, 2012 through December 31, 2012			<u>7,047,650</u>
Sub-total			1,402,821,830
Discount on Contributions Receivable			(64,396,606)
Total Contributions Receivable			<u>\$ 1,338,425,224</u>

Payments which are overdue beyond dates prescribed in the installment schedules are individually assessed in consultation with the Global Fund secretariat for potential uncollectability. At the reporting date no outstanding contribution receivable was deemed uncollectible.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 6 – Committed for Grants

A summary of the commitments and disbursements for grants for the years ended December 31, 2008 is as follows:

	<u>Amount</u>
Committed for Grants, beginning of the year	\$ 2,831,901,502
Commitments	2,548,636,690
Disbursements	(2,261,520,870)
Currency translation adjustment on euro-denominated commitments	<u>(8,828,313)</u>
Committed for Grants, end of the year	<u><u>\$ 3,110,189,009</u></u>

**TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 7 – Committed for Administrative Budgets and Trustee Fees

A summary of the commitments and disbursements for administrative budgets and trustee fees for the years ended December 31, 2008 is as follows:

	WHO	Global Fund Secretariat	Trustee	Total
Committed for Administrative Budgets and Trustee Fees, beginning of the year ¹	\$ 201,296,000	\$ 200,000	\$ 2,400,000	\$ 203,896,000
Re-assigned Commitments ²	(39,716,690)	39,716,690	-	-
Disbursements	(161,536,310)	(64,509)	(2,400,000)	(164,000,819)
Committed for Administrative Budgets and Trustee Fees, end of the year	<u>\$ 43,000</u>	<u>\$ 39,852,181</u>	<u>\$ -</u>	<u>\$ 39,895,181</u>

¹ Amounts shown for the WHO, Global Fund Secretariat, and the Trustee include commitments of \$201,296,000, \$200,000 and \$2,400,000, respectively, approved for administrative services to be provided to the Global Fund during calendar year 2008.

² Global Fund Secretariat terminated the personnel and administrative services with the WHO effective December 31, 2008 and the outstanding commitment was re-assigned to the Global Fund Secretariat.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 8 – Fair Value of Financial Instruments

The share in pooled cash and investments (the “Pool”) is held in a trading portfolio which is reported at fair value. The Trust Fund’s share in the Pool is not traded in any market, however, the underlying assets within the Pool are traded in the market and are reported at fair value. The fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data at the reporting date, are used instead. The most frequently used valuation estimation technique is the discounted cash flow method. The Trustee applies valuation techniques to unlisted trading portfolio assets including mortgage backed securities, asset backed securities, corporate and agency securities. The valuation models are based on daily LIBOR rates and swap curves, as well as credit spreads and prepayment rates provided by external pricing service agents. The fair values recognized in the financial statements are therefore determined in whole using valuation techniques based on assumptions supported by prices from observable current market transaction in the same instrument or available observable market data. At the reporting date, substantially all assets within the Pool are priced using observable market data. The pooled cash and investments portfolio holds numerous securities each with different credit spreads and prepayment rates based on the characteristics of each security.

The Trust Fund groups its share in the shared pool of investments as one class of financial assets.

All other financial assets and financial liabilities are carried at amortized cost. The carrying value is therefore considered to be a reasonable estimate of fair value because none of the instruments are considered to be uncollectible.

Note 9 - Collateral

The Pool includes securities pledged under repurchase agreements with other counterparties. The Trust Fund’s proportionate share of the fair value of those securities at December 31, 2008 was \$ 199,353,862. There are no significant terms and conditions associated with the use of collateral.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2008

Note 9 – Collateral (continued)

As at December 31, 2008 the Trustee did not hold collateral that is permitted to sell or re-pledge in the absence of default. In addition, the trustee has not sold or re-pledged any collateral during the year. The terms and conditions associated with collaterals have no significant unusual requirements from the usual practice of recourse when a default occurs.

Note 10 – Risks arising from Financial Instruments

The majority of the Trust Fund's assets consist of its share in pooled cash and investments. The Pool is actively managed and invested in accordance with the investments strategy established for all trust funds administered by the World Bank Group. The objectives of the investment strategy are foremost to maintain adequate liquidity to meet foreseeable cash flow needs and preserve capital and then to maximize investment returns.

The Trust Fund is exposed to market, credit and liquidity risks. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Trust Fund or the Trustee's approach to the management of those risks. The exposure and the risk management policies employed by the Trustee to manage these risks are discussed below:

Market risk – The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, currency rates or changes in interest rates. The Trust Fund is exposed to market risk, primarily related to foreign exchange rates and interest rates. The Trustee actively manages the Pool so that the probability of incurring negative returns is no more than 1% over the applicable investment horizon. The asset allocation of the Pool is managed so as to optimize the Pool's total returns within the specified risk tolerance.

- i. Interest Rate Risk* – The Trustee uses a value at risk (VAR) computation to estimate the potential loss in the fair value of the pool's financial instruments with respect to unfavorable movement in interest rate and credit spreads. The VAR is measured using a parametric/analytical approach. It assumes that the movements in the market risk factors are normally distributed. In constructing the covariance matrix of market risk factors, a time

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Note 10 – Risks arising from Financial Instruments (continued)

decay factor is applied to weekly market data for the past three years. This approach takes into account three years' historical market observations, while giving more weights to recent market volatility. The absolute VAR of the Trust Fund's share of the portfolio over a twelve month horizon, at a 95% confidence level at December 31, 2008 is estimated to be \$ 106 million. The computation does not purport to represent actual losses in fair value of the Trust Fund's share in the Pool. The Trustee cannot predict actual future movements in such market rates and does not claim that these VAR results are indicative of future movements in such market rates or to be representative of the actual impact that future changes in market rates may have on the Trust Fund's future results or financial position.

- ii. *Currency risk* – The risk that the value of a financial instrument will fluctuate because of changes in currency exchange rates when there is a mismatch between assets and liabilities denominated in any one currency. In accordance with the Agreement and/or the instructions from the Global Fund, the Trustee maintains the share in pooled cash and investments of the Trust Fund in U.S. dollars and euros. Cash contributions received are converted into U.S. dollars on receipt, except when the Global Fund instructs the Trustee to hold selected cash contributions received in euros. Commitments for administrative budgets, trustee fee and majority of the grants are denominated in U.S. dollars.

The following table details the sensitivity of the Statement of Activities to a strengthening or weakening of the major currencies in which the Trust Fund holds financial instruments. The percentage movement applied in each currency is based on the average movements in the previous three reporting periods. The average movement in the current period is based on beginning and ending exchange rates in each period.

<i>2008</i>		
<i>Currency</i>	<i>Change %</i>	<i>Amount \$ Million</i>
Euro	7%	(+/-) 95
Pound Sterling	16%	(+/-) 83

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Note 10 – Risks arising from Financial Instruments (continued)

Credit Risk – The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Trust Fund's maximum exposure to credit risk at December, 31, 2008 is equivalent to the gross value of the assets (excluding discount on promissory notes and contributions receivable) amounting to \$ 6,951,903,742. The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements included in Note 9. The Trustee invests in liquid instruments such as money market deposits, government and agency obligations, and mortgage-backed securities. The Trustee is limited to investments with minimum credit ratings as follows:

- Money market deposits: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- Government and agency obligations: issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-.
- Mortgage-backed securities, Asset-backed securities and corporate securities: minimum rating must be AAA.

At the reporting date, approximately 94% of the Trust Fund's share of the investment pool is held in securities rated at least AA and 6% is held in securities rated at least A+. At the reporting date, the Trust Fund's proportionate share is: Money market deposits- 14% Government and agency obligations- 46%, Mortgage-backed securities, Asset-backed securities and corporate securities- 40%.

The Trustee identifies the concentration of credit risk based mainly on the extent to which the pool of cash and investments are held by an individual counterparty. The concentration of credit risk with respect to the pool of cash and investments is limited because the Trustee has policies that limit the amount of credit exposure to any individual issuer.

Notes and contributions receivable result from mutually signed contribution agreements. None of these financial assets are deemed uncollectible. Further, there was no renegotiation of terms to financial assets that would otherwise be impaired.

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Note 10 – Risks arising from Financial Instruments (continued)

Liquidity risk – The risk that an entity will encounter difficulty in raising liquid funds to meet its commitments. All the financial liabilities are payable on demand. As a policy, the Global Fund makes commitments for administrative budgets, trustee fees and grants only if there are sufficient underlying assets. The Trustee maintains a significant portion of the Pool in short-term money market deposits to meet disbursement requirements.

Note 11 – Approval of Financial Statements

The financial statements were authorized for issue on March 18, 2009 by IBRD's management, in its capacity as Trustee.