2021 Annual Financial Statements

Electronic Report to the Board

GF/B46/ER15
46th Board Meeting
05 April 2022, Geneva, Switzerland

Board Decision

Purpose of the paper: This report presents an overview of the Global Fund's 2021 Annual Financial Report, including the 2021 Annual Financial Statements, and the 2021 Statutory Financial Statements. Such financial statements have been audited by KPMG SA. The Audit and Finance Committee recommends such financial statements to the Board for approval and issuance.

Decision

i. ***Decision Point: GF/B46/EDP19: 2021 Annual Financial Report***

The Board authorizes the issuance of, and therefore approves, the Global Fund's 2021 Annual Financial Report, including the 2021 Annual Financial Statements which have been audited by KPMG SA, as set forth in Annex 1 to GF/B46/ER15.

ii. ***Decision Point: GF/B46/EDP20: 2021 Statutory Financial Statements***

The Board authorizes the issuance of, and therefore approves, the Global Fund's 2021 Statutory Financial Statements, which have been audited by KPMG SA, as set forth in Annex 2 to GF/B46/ER15.

Budgetary implications (included in OPEX budget)

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 3.

Executive Summary

Context

- The Secretariat has prepared the 2021 Annual Report, including the 2021 Annual Financial Statements, and the 2021 Statutory Financial Statements which have been subject to an independent external audit by KPMG SA (the “External Auditor”). Following the external audit review KPMG SA has confirmed it is in a position to issue unqualified audit opinions on the two sets of financial statements.

- Following the approval by the Board of the Board decision points recommended by the AFC, the Secretariat will:

    - publish the 2021 Annual Financial Report, which includes the audited 2021 Annual Financial Statements, on the Global Fund’s external website accessible by its stakeholders; and

    - file the audited 2021 Statutory Financial Statements with the Surveillance des fondations under the Département fédéral de l’intérieur, in accordance with Swiss law and the Global Fund’s Bylaws.

Input Sought

The Board is requested to approve the decision points presented on page 2:

- Decision Point: GF/B46/EDP19: 2021 Annual Financial Report including the 2021 Annual Financial Statements
- Decision Point: GF/B46/EDP20: 2021 Statutory Financial Statements

Input Received

1. In accordance with its Charter, the Audit and Finance Committee (the “AFC”) has the advisory function to recommend the annual audited financial statements of the Global Fund to the Board for approval.
2. At its 18th meeting in March 2022, the AFC deliberated upon the 2021 Annual Financial Report, including the 2021 Annual Financial Statements, and the 2021 Statutory Financial Statements. In accordance with the AFC’s advisory authority, Committee members made enquiries of the External Auditor during their executive session, including in relation to their findings on grant assurance and Strategic Initiatives. The External Auditor provided its independent advice and views to the AFC, in line with its role as assurance provider to the Global Fund Board, at such meeting and to the Secretariat during the conduct of the audit.

3. There were no specific questions raised during the open session. There was a general consensus that there are no concerns with the Global Fund financial statements presented to the AFC and the Secretariat’s management processes in connection therewith.
4. At the conclusion of the session, the AFC voted unanimously to recommend such financial statements to the Board for approval pursuant to Decision Point GF/AFC18/DP02.

Report

External audit for financial year 2021

1. In accordance with the Global Fund Bylaws, approval of the annual financial report and financial statements is a core function of the Global Fund Board.

2. The External Auditor is responsible for delivering a written report of its audit findings arising from the audit of the Global Fund's annual financial statements to the Board and the AFC.

3. The Secretariat is responsible for reporting to the Board, through the AFC, all audit findings in a timely manner, as well as management's response to audit findings including implementations of recommendations.

4. For the 2021 financial year, the Secretariat presents two sets of information for the Board for its issuance and approval in accordance with the AFC's recommendation, as follows:

   i. The 2021 Annual Financial Report, including the 2021 Annual Financial Statements, which have been audited by the External Auditor; and

   ii. The 2021 Statutory Financial Statements, which have been audited by the External Auditor.

5. The 2021 Annual Report, comprising the 2021 Annual Financial Statements and its related discussion, analysis and commentary is set forth in Annex 1. The 2021 Statutory Financial Statements, as set forth in Annex 2, is an independent document prepared only for Swiss statutory financial reporting purposes.

6. As such the financial information in the 2021 Statutory Financial Statements is a subset of the annual information reflected in the 2021 Annual Financial Statements, with two main points of differences:

   i. **Basis of reporting**: The Annual Financial Statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Statutory Financial Statements have been prepared in conformity with the applicable accounting and financial reporting provisions of the Swiss Code of Obligations and presented in accordance with the Global Fund's Bylaws.

   ii. **Reporting currency:** The Annual Financial Statements are reported in USD, the functional currency of the Global Fund. The Statutory Financial Statements are reported in CHF by translating the financial results incorporated in the Annual Financial Statements for the reporting financial year under consideration.

7. Based on its discussions with audit procedures conducted, the External Auditor reported for the year ended 31 December 2021:
   i. no matters regarding fraud or illegal acts,
   ii. no material findings or audit adjustments during this period,
   iii. no management letter points on material weaknesses; and
   iv. the summary of financial audit findings[1] in the following paragraph:

8. Financial Audit Findings:

   The Secretariat is pleased to report no material weakness ("MW") or control deficiency ("CD"), in an operating environment filled with complexities arising from several initiatives which significantly expanded the scope of external audit to encompass the second year of the COVID-19 Response Mechanism, GFS-Fusion migration, and an increased grant implementation risk landscape including IT environment. No audit misstatements were identified by the External Auditor during the 2021 audit. One presentation adjustment was identified and incorporated in the reporting of grant contingent liabilities. The following table summarizes the current status of financial audit findings arising from the annual external audit for reporting period 2018-2021:

Financial audit					
Year	**MW**	**CD**	**PIO**	**Total**	**Open**
2021	-	-	5	**5**	**5**
2020	-	1	2	**3**	**-**
2019	-	-	2	**2**	**2**
2018	-	-	-	**-**	**-**

9. Altogether, the External Auditor confirmed that they are in a position to issue unqualified audit opinions for the 2021 Annual Financial Statements and 2021 Statutory Financial Statements.

10. Given the regulatory nature of the audit for the 2021 Annual Financial Report, including the 2021 Annual Financial Statements, performed by the External Auditor and the unqualified review results, the executive management believes that standard information is being reported in the 2021 Annual Financial Report and as such it does not bear any compliance or operational risk.

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[1] The external audit findings are rated according to the following scale:

- ***MW-Material Weakness***-A deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the organization's financial reporting will not be prevented, or detected and corrected, on a timely basis.
- ***CD-Control Deficiency***-A control weakness exists that requires prompt remediation and potentially could have a significant and material impact on the business and integrity of the financial reporting. A combination of control deficiencies could result in a significant deficiency in internal controls however the impact is less severe than a material weakness, yet important enough to merit the attention of those responsible for oversight of the organization's financial reporting (i.e. those charged with governance).
- ***PIO-Performance Improvement Observation***-A minor control gap that exists in the business process. These findings are considered to improve efficiency or performance of internal controls. PIOs are designated as low risk and therefore referred to as performance improvement observations to align with industry best practices.

Recommendation

The Audit and Finance Committee recommends the Decision Point presented on page 2 to the Board.

Annexes

The following items can be found in Annex:

- Annex 1: 2021 Annual Financial Report including 2021 Annual Financial Statements
- Annex 2: 2021 Statutory Financial Statements
- Annex 3: Relevant Past Board and Committee Decisions

Annex 1 – 2021 Annual Financial Report including 2021 Annual Fiancial Statements

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ANNUAL FINANCIAL REPORT

The Global Fund

2021

Contents

MANAGEMENT REPORT

Year under review

The Global Fund continues to respond to the unprecedented health, economic and social impact of the Covid-19 pandemic that threaten critical gains made in the fight against HIV, TB, and malaria. We witnessed extraordinary achievements of the partnership, including the rapid set-up of the COVID-19 Response Mechanism (C19RM) and other multiple advances on the strategic and operational matters. The operational and financial performance review in the Management Discussion and Analysis provides a deeper overview on milestones achieved in 2021.

The audited financial statements confirm that our organization is in strong financial health. As of 31 December 2021, operating assets exceeded operating liabilities by USD 3.1 billion. 2021 experienced the highest grant expenditure at USD 6.8 billion and disbursements at USD 5.2 billion reflects a combined impact of strong allocation utilization for both 5th and 6th replenishment cycles and incremental activities under C19RM. The Secretariat is working closely with the Office of Inspector General, Risk Management Department, and in-country assurance providers to mitigate the volatile and heightened risk landscape for in-country grant implementation.

For 2021, our operating expenditure was US$304 million at the budget rate, which is within the Board-approved limit. The COVID-19 pandemic has continued to impact the Secretariat operations, requiring ongoing efforts in delivering on key priorities and core operations remotely, whilst maintaining budget discipline and efficiency.

A strong and stable leadership, the healthy financial results and a clean audit opinion by KPMG SA reflect the growing maturity of the organization and its robust financial management framework. Looking ahead, the Secretariat has aligned its 2022 priorities and resources towards enabling increased absorption, strong in-country risk assurance, independent evaluation, the 2023-2028 Strategy, as well as in delivering a successful Seventh Replenishment campaign.

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Adda Faye	Peter Sands
Chief Financial Officer	Executive Director

Letter from the Chair and Vice-Chair of the Board

WIP

Sincerely,

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Dr. Donald Kaberuka	Lady Roslyn Morauta
Chair of the Board	Vice-Chair of the Board

Overview financial results, (in millions of USD including C19 related activities)

Key Financial Results	Ref *See below*	Management reporting (unaudited)	Annual Financial Statements	Variance	Explanation
Contribution receipts	1	9,335	5,754	3,581	5,474 receipts in 2020 (1,600) previous replenishment receipts (293) FX
Grant disbursements	2	5,078	5,150	(72)	(72) FX
Operating expenses	3	303	336	(33)	(13) FX (20) C19RM Opex
Strategic Initiatives	4	45	51	(6)	(6) previous cycle and private sector SI
Financial income	5	186	186	-	n/a
Foreign exchange	6	45	171	(126)	(126) economic FX impact

Statement of activity *(in millions of USD)*	**Ref**	**2021**	**2020**	**2019**	**Total**
Contributions		3,928	6,754	3,916	14,598
Grant expenditure		(6,737)	(4,078)	(3,097)	(13,912)
Strategic Initiatives	4	(51)	(86)	(61)	(198)
Operating expenses	3	(336)	(307)	(292)	(935)
Provident Fund valuation as per Note 6.1		11	5	13	29
Foreign exchange result, net		27	144	(82)	89
Financial income, net	5	74	112	148	334
Discounting of long-term positions		(28)	74	80	126
Loss on actuarial valuation of defined benefit obligation towards employee benefits		(2)	(11)	(8)	*N.A*
Total comprehensive (loss)/ income for the year		(3,114)	2,607	617	*N.A*
Statement of financial position *(in millions of USD)*					
Cash and cash equivalent, including Trust Fund assets		4,398	4,244	3,232	*N.A*
Contributions receivable		2,429	4,384	2,790	*N.A*
Other assets		391	336	305	*N.A*
Grants payable		3,655	2,054	2,163	*N.A*
Other liabilities		375	609	469	*N.A*
Funds		3,188	6,302	3,695	*N.A*
Statement of cash flows *(in millions of USD)*					
Cash receipts from donors	1	5,754	5,474	3,674	14,902
Grants disbursed		(5,150)	(4,264)	(3,562)	(12,976)
Grants disbursed to Principal Recipients & 3rd parties (incl in line above)	2	*(5,078)*	*(4,201)*	*(3,497)*	*(12,776)*
Cash paid for other operating activities		(297)	(286)	(281)	(864)
Cash on settlement of derivative financial instruments		(193)	(8)	33	(168)
Cash from/ (used in) investing activities		63	(927)	172	*N.A*
Cash paid for lease liability		(8)	(7)	(7)	(22)
Increase/ (decrease) in operational cash position including cash at commercial banks and Trust Fund		168	(18)	29	*N.A*
FX (loss)/ gain on cash		(3)	7	(4)	*N.A*
Other key information					
Grant contingent liability *(in millions of USD)*		9,044	9,182	3,077	*N.A*
Net ALM FX results *(in millions of USD)*	6	14	31	82	*N.A*
Number of active grants		413	328	338	*N.A*
Number of employees		982	866	772	*N.A*

ORGANIZATIONAL BACKGROUND

1. VISION, MISSION AND STRATEGY

The Global Fund is a partnership organization designed to accelerate the end of HIV, tuberculosis and malaria as epidemics. As a partnership between governments, civil society, the private sector and people affected by the diseases, the Global Fund mobilizes and invests more than USD 4 billion a year to support programs run by local experts in more than 100 countries. By challenging barriers and embracing innovative approaches, we are working together to better serve people affected by the diseases.

The Global Fund Strategy 2017-2022: Investing to End Epidemics

The core objectives of the Global Fund 2017-2022 Strategy (GF/B35/DP04) are to:

- Maximize impact against HIV, tuberculosis (TB) and malaria
- Build resilient and sustainable systems for health
- Promote and protect human rights and gender equality
- Mobilize increased resources

Successfully implementing the strategy depends on two additional and fundamental elements:

- Innovating and differentiating along the development continuum,
- Supporting mutually accountable partnerships.

The Global Fund Strategy 2017-2022, Investing to End Epidemics, was developed under the leadership of the Board of the Global Fund, with contributions from numerous partners and stakeholders who share common goals in global health. Effective 2017, the Secretariat works to implement the Strategy and reports progress against KPIs and performance to the Strategy Committee, Audit and Finance Committee and Board on a semi-annual basis and holds deep dive sessions on specific topics at Strategy Committee meetings.

2. LEGAL STATUS

The Global Fund is an international financing institution recognized as an international organization, initially formed as a Swiss foundation in 2002. Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations:

- The Swiss Federal Council accorded the Global Fund international organization status, which is comparable to that of UN organizations, through the 2004 Headquarters Agreement;
- Effective November 2002, as a tax-exempt organization in the United States of America, under Section 501 (c) (3) of the Internal Revenue Code;
- The United States of America, through an executive order in 2006, designated the Global Fund as a public international organization in accordance with the United States International Organizations Immunities Act; and
- The European Commission, through a 2014 Commission Decision, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds.

3. CORE STRUCTURES

The Global Fund operates within the following core structures:

i. **The Board and its standing committees** – The Board is responsible for strategy, institutional governance and approving program-funding decisions. It is also responsible for assessing organizational performance, overall risk management, partner engagement, resource mobilization and advocacy. It is composed of representatives from donor and implementer governments, civil society, the private sector, private foundations, communities living and affected by the three diseases, as well as international organizations which are Global fund partners.

   The Board's three standing committees are:

   - the Audit and Finance Committee (AFC);
   - the Ethics and Governance Committee (EGC); and
   - the Strategy Committee (SC).

   These committees have Board-delegated decision-making, advisory and oversight responsibilities, outlined in their respective charters, to facilitate and oversee the Secretariat's implementation of the Board's strategy and policies. A Coordinating Group, comprised of the Chairs and Vice-Chairs of the Board and its three standing committees, serves as a collaborative body to coordinate important business of the Board.

ii. **The Secretariat -** The Global Fund Secretariat is responsible for the day-to-day operations of the Global Fund as stated in the Bylaws (approved by the Board pursuant to GF/B34/EDP07 on 28 January 2016 and last amended pursuant to GF/B46/DP06 on 10 November 2021 and effective as of 31 December 2021). Under the leadership of the Executive Director, who is appointed by and reports to the Global Fund Board, the Secretariat manages the grant portfolio; executes Board policies; mobilizes resources; provides strategic, policy, financial, legal and administrative support; and oversees monitoring and evaluation of results. The Secretariat is based in Geneva, Switzerland and has no office or employees located outside its headquarters.

iii. **The Office of the Inspector General -** The Global Fund has an Office of the Inspector General (the "OIG") that provides independent and objective assurance over the design and effectiveness of controls or processes in place to manage the key risks impacting the Global Fund's programs and operations, including the quality of such controls and processes. Under the leadership of the Inspector General, the OIG operates as an independent unit from the Secretariat, reporting to the Board through the AFC.

4. PROGRAM STRUCTURE

Programs funded by the Global Fund are implemented by Principal Recipients, in collaboration with in-country partners. The Global Fund does not have field offices in implementing countries. The key in-country structures involved in programs funded by the Global Fund are:

i. The **Country Coordinating Mechanism (CCM)**, a partnership composed of key stakeholders in a country's response to the three diseases, is responsible for submitting funding requests to the Global Fund, nominating the entities accountable for administering the funding, and overseeing grant implementation. CCMs are national committees that are convened independently and are not part of the Global Fund's organizational structure.

ii. The **Principal Recipient (PR)**, designated by the CCM, is the recipient of Global Fund financing and utilizes it to implement programs, either directly or through other organizations (sub-recipients). PRs are independent legal entities and are not part of the Global Fund's organizational structure.

iii. The **Local Fund Agent (LFA)** is a key external service provider responsible for monitoring and verifying in-country grant implementation and providing recommendations to the Secretariat on key decisions relating to grants.

I. 2021 OPERATIONAL REVIEW

1. THE REPLENISHMENT MECHANISM

Under its replenishment mechanism, the Global Fund convenes donors, implementers and other key partners for a Replenishment Conference once every three years to discuss funding for the succeeding three-year "Replenishment Period". This mechanism allows for predictability of available funding and enables both the Global Fund and implementing countries to establish long-term plans for fighting the three diseases.

In 2022, the Global Fund launches its Seventh Replenishment campaign and spells out the Global Fund's case and ambition for the resources needed over 2023 to 2025 to fulfil its mission. The Preparatory meeting of the Global Fund's Seventh Replenishment, which served as the platform to launch the campaign and the Investment Case for the Seventh Replenishment, took place on 23-24 February 2022. The Meeting was co-hosted by Heads of State of the Democratic Republic of Congo, the Republic of Kenya, the Republic of Rwanda, the Republic of Senegal and the Republic of South Africa. The co-hosting by five African Presidents puts the spotlight on Africa's leadership role in global health and demonstrates how 20 years of global solidarity have saved lives and created impact in the region where most of the Global Fund's investments are deployed.

The campaign for the Seventh Replenishment will culminate in the Pledging Conference, hosted by Mr. Joe Biden, President of the United States of America, in the third quarter of 2022. Most of the pledges for the Seventh Replenishment period will be announced at the Pledging Conference or in the lead up to it.

Converting Sixth Replenishment Pledges into contributions[1]

The conversion of the Sixth Replenishment pledges into contributions remained key during the second year of the Sixth Replenishment Cycle (2020-2022). The Global Fund has signed agreements with 78% (45 of 58) of public donors as of 31 December 2021. For the most part, public donors have signed agreements with multi-year payment schedules (37 of 45). Signed contribution agreements are in place for 91% of the value of private sector pledges. Contributions of USD 8.7 billion from public donors and USD 9.3 billion overall have been secured in cash, in line with expectations for full conversion of forecasted pledges.

Private sector partners have also taken part in key events and calls to action in support of the Global Fund. Several important private sector engagement (PSE) workstreams have also progressed during this period, including: the completion of the Private Sector Engagement TERG review, as an input to the new Global Fund strategy; increasing the network and engagement through various events and roundtables, including with Friends of the Global Fight US, as well as in the Middle East region.

[1] Encashments for C19RM are included in figures reported for the 6th replenishment

Showcasing and sharing the Global Funds success in private sector engagement through inputs, including case studies, to the World Economic Forum on best practice in Public Private Partnerships and Goal 17 on "Reimagining private sector partnerships in the context of COVID-19". On-going in-kind pledge conversion also continues, with examples such as the completion of Microsoft Research landscaping of on the use of digital tools in the fight against TB in 13 high-burden countries.

Resource mobilization efforts under C19RM

In 2021, following extraordinary support from donors such as Canada, Germany, Luxembourg, Netherlands, Norway, Switzerland and the United States, the Global Fund crossed the USD 4 billion mark of investment to support countries in combating COVID-19 and mitigating its impact on the three diseases since the beginning of the response in 2020. On the private sector side for C19RM, (RED) is mobilizing partners to support COVID-19 Response Mechanism (C19RM). As at 31 December 2021, all donors have signed agreements and contributions of USD 2.1 billion have been secured in cash. The Global Fund's C19RM remains open to receive additional funding through to 30 September 2022 and additional C19RM funds may be awarded to countries through 31 March 2023.

The effective management of donor and stakeholder relationships continues to be prioritized, closely monitoring the changes in the donor landscape and risks related to future funding.

2. THE FUNDING MODEL

Update on 2014-2016 at allocation rate
Through the established grant closure process for the Fourth Replenishment, USD 479.0 million of closing cash balances have been identified of which USD 358.7 million is used as the opening balance of the Fifth Replenishment grants and USD 120.3 million directly refunded to the Secretariat.

Update on 2017-2019 cycle at allocation rate
As of 31 December 2021, in-country expenditure for all grants of USD 10.4 billion was incurred by the Principal Recipients against a cumulative grant budget of USD 11.8 billion. This reflects an in-country absorption ratio of 88% under the 2017-2019 allocation period. Through Portfolio Optimization and the COVID-19 Response Mechanism 2020 ("C19RM2020"), reprogramming and acceleration in implementation of programmatic activities has been achieved. The organizational target for in-country absorption under the 2017-2019 allocation period of 85% with +/- 4-5% volatility (depending on COVID-19's impact on program implementation compared to the strategic KPI of 75%) has been met.

The grant closure process for the Fifth Replenishment grants started in 2021 with grants having an implementation period-end date up to 31 March 2021, due for closure by 31 December 2021. 81% of financial closure reports due at 31 December 2021 are validated, representing a closing cash balance (including potential recoverable amounts) of USD 284 million. The estimated closing cash balance for the Fifth Replenishment is USD 450 million.

Update on 2020-2022 cycle at allocation rate
The Global Fund has a total of USD 12.71 billion available in funding country allocations for the 2020-2022 allocation period. Of these funds, the Global Fund approved a cumulative amount of USD 11.97 billion (USD 8.9 billion in 2020) at 31 December 2021. This represents 94% of allocation already approved with the Secretariat having accelerated its grant-making efforts in 2021.

The Secretariat expects to close the gap for the award of the remaining USD 0.74 billion in 2022 with applicants already registered and in process of registration for funding request submissions.

Impact of the COVID-19 pandemic

C19RM2020 – Funding Approved of USD 990 million (including Grant Flexibilities of USD 231 million)

In 2020, the Global Fund established C19RM (C19RM2020), to combat the pandemic and its devastating impact on the Global Fund programs to fight HIV, TB and malaria around the world. The approved funding under the C19RM2020 mechanism as at 31 December 2021 was USD 990 million, including USD 231 million of approved grant flexibilities.

All C19RM2020 approved funding has been added to the existing grants with the Principal Recipients in order to leverage implementation, assurance and reporting mechanisms of these grants. Once approved, the funds are fungible and as such cannot be differentiated into the underlying source of funding i.e., regular grants, grant flexibilities or C19RM. A separate cost module has been created in the grant expenditure reports to be submitted by Principal Recipients. Accordingly, it is not possible for the Secretariat to differentiate grant commitments and disbursements made for COVID-19 activities under the C19RM2020 funding from the regular grant funding.

At 31 December 2021, the in-country expenditure for C19RM2020 was USD 549 million, translating into an in-country utilization rate of 55%. With grant closures of the 2017-2019 cycle currently in progress, meeting the expected in-country utilization target of 63% - 70% is on track.

C19RM2021 – Funding Approved of USD 3.2 billion

As the pandemic continued to unfold in severity and impact in 2021, the Global Fund extended the C19RM funding mechanism, establishing C19RM 2021, raising over USD 3.5 billion as incremental sources of funds.

At 31 December 2021, USD 3.2 billion of new awards for C19RM2021 funding were approved for over 100 countries with the eligibility of C19RM investments evaluated on the basis of the following objectives:

1. Actions to reinforce the response to COVID-19.
2. COVID-19 related adaptation of programs to fight HIV, TB and malaria.
3. Strengthening health and community systems.

The three areas also incorporate cross-cutting activities that bolster community responses to COVID-19.

C19RM is the primary channel for providing grant support to low- and middle-income countries for COVID-19 tests, treatments (including medical oxygen), personal protective equipment (PPE) and critical elements of health system strengthening – everything except vaccines. Implementation partners are leveraging the Global Fund's extensive health and community networks and well-established health procurement and distribution systems to distribute new COVID-19 tools, medical supplies, and training at scale in more than 100 countries.

Overview on C19RM2021 investments in health product procurement

Protecting Front-line Health Workers: The Global Fund is providing funding to countries to purchase personal protective equipment such as masks, gloves and gowns. Countries can purchase equipment locally or can place orders for price-assured quality health products through our Pooled Procurement Mechanism, including via the wambo.org online procurement platform. USD 487 million, representing 15% of the C19RM2021 awards were allocated for the procurement of PPEs.

Diagnostics: The Global Fund is supporting countries and partners to develop and implement national testing strategies using a combination of PCR and Ag RDT tests. In addition, the Global Fund leveraged its laboratory infrastructure initially designed for tuberculosis diagnosis and HIV viral load testing to immediately respond to COVID-19.

The scaling up of an installed base of over 10,000 Cepheid's GeneXpert molecular diagnostic devices in laboratories across low- and middle-income countries, and the technicians trained to operate them, has enabled these countries to massively expand their COVID-19 testing capacities since the beginning of the pandemic.

A total amount of USD 728 million, representing 23% of C19RM2021 awards have been approved for investment in Ag RDT and PCR.

Oxygen: Under the C19RM2021 funding, the Global Fund is financing countries to procure their critical needs for Oxygen and Oxygen Plants. A total amount of USD 508 million was awarded for the procurement of Oxygen, representing 16% of the C19RM2021 awards.

3. OPERATIONAL INSIGHTS ON GRANTS

As part of the annual audit, the external auditor examines key controls designed and implemented at the country-team level that support management assertions governing grant financial decision-making. The key objective of this review is to confirm the existence of the internal control system as required by the Swiss law.

For 2021, in line with the increase in in-country risk landscape, the external auditors performed their enhanced review in four countries- The Federal Democratic Republic of Nepal, The United Republic of Tanzania, The Republic of the Sudan, and The Republic of Zambia. The selection criteria were included country risk profiles based on the Integrated Risk Module (IRM), OIG audit engagement pipeline for 2019-2022 and integration of COVID-19 response funding. A careful consideration was also given to in-country operational disruption amidst COVID-19 and the principle focus of the country teams in grant making for 2020-2022 allocation cycle.

The external auditor did not identify any significant control deficiencies in the selected portfolios.

The Secretariat provides an overview of the four countries in the following paragraphs:

The Federal Democratic Republic of Nepal

Nepal is a landlocked country in South East Asia, mainly situated in the Himalayas, bordering Tibet to the north, and India in the south, east, and west. Under the federal system of government, the country is divided into 7 provinces, 77 districts, and 293 urban and 460 rural municipalities.

During the last decade, Nepal witnessed a phenomenal reduction in poverty and a significant decline in income inequality thanks to an increase of remittances from abroad. The latest IMF projection for GDP growth is set at 4.4%, which is very encouraging considering the impact COVID-19 has had at global level. However, the political situation is not stable, causing the government to reshuffle cabinet and leadership almost every year.

Nepal has a population estimate of 29.6 million, its Human Development Index in 2020 is 0.602—which put the country in the medium human development category—positioning it at 142 out of 189 countries and territories. Life expectancy at birth has been steadily improving and in 2018 was 70.5 years.

Section 35 (1) of the Constitution of Nepal guarantees the right to free basic health services to every citizen of Nepal and that “no one shall be deprived of emergency health services”. Likewise, the National Health Policy, 2019 has the provisions for the implementation of effective programs to execute study, research, oversight, control and eradication of communicable diseases, including tuberculosis (TB), HIV/AIDS and malaria.

Since 2015, Save the Children International (SCI) has been the Principal Recipient (PR) for all three GF grants in Nepal. It has established a Program Management Unit (PMU) which is the lead implementing entity, provided technical and financial support for the National Programs and GF-related activities. The new grants have been signed at the beginning of 2021 and came into implementation in March 2021.

TB

TB is one of the top 10 causes of death in Nepal, every day around 15 people lose their lives to TB, and over 180 people fall ill with this preventable and curable disease.

The Country produced a National Tuberculosis Prevalence Survey (TBPS) in 2018-19, it revealed that around 117,000 people are living in Nepal with TB and from the estimated 69,000 people who fell ill with TB in 2018, only 32,474 cases were reported, meaning 54% of cases were missed to be diagnosed and treated.

Additionally, drug resistant TB continues to pose a dangerous health threat to the population, and only 1 in 3 of the people who need treatment have access to it.

However, the survey also suggests that evidence-based policy making, and prevention led to an estimated annual reduction of new TB cases (by 3% in the last decade), and this decline is better than the global annual decline rate (1.5%-2%).

The National Tuberculosis Control Centre (NTCC) along with Save the Children which is the Principal Recipient, work in close collaboration with local Sub-Recipients which are engaged in implementing innovative TB case finding strategies nationwide.

The main interventions include:

- the adoption of GenXpert machines as the primary diagnostic tool
- Active case finding (ACF) among high-risk groups (HRGs)
- Contact investigation in high burden areas
- TB Preventive Treatment (TPT) of 3 months of Isoniazid and Rifampicin for children under 5
- treatment of resistant TB through second line drugs in a decentralized approach to reach the highest number of patients

HIV

Out of a total population of approximately 30 million, there were an estimated 29,503 people living with HIV in Nepal in 2019. National HIV prevalence peaked in around 2006 and has been declining since then, to 0.13% in 2019, corresponding with the growing number of people on ART.

The HIV epidemic in Nepal remains concentrated in key populations and is highest among:

- men who have sex with men and transgender people (8.2% and 6.2% respectively)
- people who inject drugs (between 4.9% and 8.5% depending on the area)

- female sex workers (2.2% in Kathmandu but lower elsewhere)
- male labor migrants who travel to India (0.5%)

Other priority populations at high risk include their respective sexual partners/clients, and people in prisons.

The National HIV Strategic Plan 2016-2021 established "Identify, reach, test, treat, and retain" (IRTTR) as the country's strategy for achieving the 90-90-90 targets and ending AIDS by 2030. The key country partners developed national standard service packages for HIV service delivery to be implemented by all stakeholders, whether government, community or development partner. For example, since the adoption of the IRTTR strategy in 2017, community-led testing (CLT), where clients can get tested in a familiar, secure environment by someone they trust, has driven a significant increase in HIV testing, and is now an integral part of prevention programming.

The COVID pandemic (1st and 2nd waves) significantly affected the HIV program service delivery in Nepal. The nation-wide lockdown and movement restrictions caused disruptions in BCC reach (including commodities distribution) and HIV testing of key populations. Similarly, there was decrease in viral load testing due to disruptions in sample collection and transportation.

Despite these difficulties, the HIV program service delivery was modified and adapted for COVID context, scaling up HIV Self-testing, alternative provision of take-away dose for OST clients with regular follow-ups, and home delivery of ARV drugs through community health workers.

Malaria

The country has demonstrated substantial progress in reducing the malaria burden over the years and achieving zero death in 2017. With this track record, Nepal aims to interrupt local malaria transmission by 2022 and achieve malaria elimination by 2025.

However, the process is hampered by one significant socio-economic situation.

Nepalese migrate in search of better opportunities to the bordering states of India, which is unfortunately malaria endemic. Imported malaria contributes to around 80 % of the total burden of disease in the country and shows that migrants are the most vulnerable and high-risk population groups. Of the total cases in 2019, only 131 cases were classified as indigenous (18%), whilst 579 cases were classified as imported (82%).

The malaria grant implemented by Save the Children in Nepal focuses on community-led interventions targeting the border with India and bed nets campaigns for vector control. Thanks to the mapping of the high-risk areas along the southern border, the PR can target more effective interventions.

COVID-19[2]

The first COVID-19 case in Nepal was detected on January 23, 2020.

The government prepared a plan to tackle the virus and on March 1, it formed the COVID-19 Crisis Management Centre, which contained the virus propagation through several measures including a nationwide lockdown and a ban on international flights and Point of Entries to stop the inflow of people into the nation.

The government also made COVID-19 treatment free in public hospitals and established quarantine and isolation facilities. The Ministry of Health and Population has built 83 PCR testing laboratories and carried out more than 21,000,000 PCR tests during the past two waves of Covid.

[2]https://mohp.gov.np/attachments/article/703/Responding%20to%20COVID-19,%20Health%20sector%20preparedness,%20response%20and%20lessons%20learnt.pdf

Thanks to the intervention of other donors and partners, as of 11 January 2022, a total of 26,585,667 doses of COVID-19 vaccines (different types) have been safely administered. Nepal covered 68% with the first dose and 57% with the full dose against the targeted population.

Nepal successfully submitted a C19RM fast-track application, receiving USD 5,098,263 of additional investments and a full C19RM application, granting the country access to further USD 23,919,800.

This brings the total C19RM award to USD 29,018,063, the funds will be directed towards the mitigation of COVID effect on HIV, TB, and malaria program, in particular:

- Purchase of diagnostics tools and PPE
- Integrated community-based testing ensuring early detection and prompt case management/referral.
- Targeted interventions to address the mobile migrant population
- Strengthening of TB and HIV sample transportation system
- Lab strengthening to increase the yield and turn-around time of HIV, TB and malaria diagnostics in high risk and remote areas

The Republic of the Sudan

The Republic of the Sudan is the third largest country in Africa, and has a population of 43 million. A federal government, it is comprised of 18 States divided into 184 localities. Re-classified as a low-income country by the World Bank (2020), Sudan ranks 170 out of 189 countries in the Human Development Index (2020 HDI Ranking) and 173 out of 180 in Transparency International's 2019 Corruption Perception Index. Sudan has suffered multiple economic challenges, notably through the secession of oil revenue (which accounted for the majority of government revenue and 95% of exports) to South Sudan, and US economic sanctions in place since 1997 and was only removed from the State Sponsor of Terrorism list in December 2020. Inflation averaged 359.09% in 2021 according to the Sudanese Central Bureau of Statistics. Following the removal of President Al-Bashir in April 2019 and having a transitional government in place, political instability continued with multiple reshuffling of government Cabinets including FMOH. The coup d'état in October 2021 resulted in the capture of the civilian government and driven various mass protests against the military government. Armed clashes continue in certain areas (South Kordofan, Blue Nile, and Darfur) with estimated 2.6 million people displaced and with estimated 1 million refugees and asylum seekers in Sudan.

The Global Fund is a key partner and the largest donor in Sudan, providing funding for 56% of the country's HIV program, 49% of the TB program and 33% of the malaria program for the period 2017 - 2020.

Sudan is classified as a Challenging Operating Environment ("COE") and managed under Additional Safeguard Policy since 2005. Following internal portfolio reclassification, Sudan moved from High Impact Africa 1 to the Middle East and North Africa Regional Team in September 2018 and became a Core COE portfolio.

Malaria

Malaria is one of the leading causes of morbidity and mortality in Sudan with the entire population considered at risk, and 87 percent of the population classified as high risk in 2020. In 2018, there were an estimated 1,954,302 cases and 5,003 deaths from malaria. According to data from the Sudan National Malaria Strategic Plan for 2021 to 2025, malaria incidence increased per 1,000 population from 14.2 in 2016 to 38.4 in 2018, while mortality increased per 100,000 population from 1.8 in 2016 to 7.5 in 2018.

Prevalence among populations in refugee and internally displaced persons' camps was three times higher than among urban populations and double that among rural populations.

HIV

Sudan has a low-level HIV epidemic, with an estimated general prevalence of 0.17 percent and a rate of 0.08 new HIV infections per 1,000 population in 2019. Between 2015 and 2019, AIDS-related deaths declined from 2,900 to 2,300. Of people living with HIV in 2019, an estimated 37 percent knew their status, 60 percent were enrolled on antiretroviral treatment, and only 9 percent on antiretroviral treatment had access to viral load testing. The program faces challenges linked to sub-optimal linkage of newly diagnosed HIV positive people to care and antiretroviral treatment services for key and vulnerable populations. Only 6.8 percent of pregnant women have had HIV testing and only 4 percent of those tested positive linked to treatment.

TB

Sudan had an estimated TB incidence of 67 people per 100,000 population in 2019, a treatment coverage rate of 69 percent in 2019, and a treatment success rate of 84 percent in 2018. Areas for growth within the TB program include improving service coverage in peripheral areas and for refugees and displaced persons, improving the proportion of rifampicin- and multi-drug resistant TB cases detected, improving cross-testing between the TB and HIV programs, and improving the availability of TB preventive treatment.

COVID-19

Sudan developed contingency plans early in the COVID-19 pandemic to ensure minimized service interruption, and the National COVID-19 Response Plan aligns with WHO guidance. In 2020, to mitigate the impact of the pandemic on the three diseases and support health and community systems, the Global Fund approved USD 1,6 million through grant flexibilities and USD 8.7 million through the Global Fund COVID-19 Response Mechanism to finance the procurement of personal protective equipment, laboratory consumables for GeneXpert and polymerase chain reaction machines, antigen rapid diagnostic tests, biosafety cabinets and autoclaves. In August 2021, additional USD 43.7 million was approved through the Global Fund COVID-19 Response Mechanism and added to the NFM3 HIV grant to finance mainly the procurement of oxygen plants, solar systems, mobile clinics, incinerators, antigen rapid diagnostic tests, personal protective equipment and laboratory consumables for GeneXpert.

The United Republic of Tanzania

The United Republic of Tanzania (URT), comprising of Tanzania mainland and the semi-autonomous island of Zanzibar is the largest country by landmass and the most populous country in East Africa, constituting approximately 30% of the region's population.

Continued gains in health and improving socioeconomic conditions including improved health services, have ensured declining infant and child mortality and an increased life expectancy, most likely due to reductions in mortality due to malaria and other childhood illnesses and reductions in HIV/AIDS mortality. These declines in mortality, coupled with high fertility rates and low contraceptive use in women of reproductive age (32 percent) have fueled high population growth rates in recent times. Of the estimated 62.5 million[3] people in Tanzania, more than 50 per cent are under 18 and over 70 percent are under 30. The population is projected to rise to 63 million by 2023, and 100 million by 2042 should the current annual population growth of 3.1% and total fertility rate of 5.0[4] remain constant. Tanzania can therefore be best described as a pre-demographic dividend country, characterized by rapid population growth and one of the fastest growing youthful populations.

According to the World Bank, Tanzania reached an important milestone in July 2020 following two decades of sustained growth, when it formally graduated from low-income country to lower-middle-income country status. Tanzania's achievement reflects sustained macroeconomic stability that has supported growth, in addition to the country's rich natural endowments and strategic geographic position.

The country has fared relatively well compared to its regional peers, but economic growth has slowed significantly. Pandemic-induced shocks slowed Tanzania's GDP growth rate from 5.8 percent in 2019 to an estimated 2.0 percent in 2020[5], as shocks to export-oriented sectors such as tourism, manufacturing and related services diminished business revenue and labor income, which adversely affected domestically oriented firms of all sizes across all sectors. Tourism, a major contributor to GDP growth, also declined significantly in 2020.

HIV

Tanzania continues to be one of the five countries in Africa with the highest number of people living with HIV (PLHIV)[6]; currently there are about 1.7 million[7] PLHIV in Tanzania.

HIV transmission in Tanzania has declined steadily over the past 15 years, and since 2010 the prevalence of HIV has remained stable at about 5 percent partly due to more PLHIV surviving longer on treatment, new infections and to population growth. The burden of HIV/AIDS is heterogenous in adults 15 years or over and varies by place of residence (4.2% rural versus 5.5% urban); sex (6.3% in females versus 3.4% in males); and significantly across regions (0.3% in Lindi to 11.6% in Njombe). The epidemic though generalized, is driven by a high occurrence of new infections in segments of the population including mobile populations, sex workers and men who have sex with men; women, in particular adolescent and young women (20-35 years) are disproportionately affected[8]. The most recently reported annual incidence rate of HIV among adults was 0.24% (0.34% in women, 0.17% in men) translating to 72,000 new infections among adults[9].

The gains on HIV/AIDS were made through scale-up of ART and effective prevention interventions such as voluntary medical male circumcision (VMMC) and prevention of mother to child transmission

[3] UNFPA Population Dashboard, 2021
[4] NBS Population Projection Report, 2018
[5] World Bank Data, 2020
[6] UNAIDS Data 2019
[7] UNAIDS Data, 2020
[8] UNAIDS Data 2019
[9] Tanzania HIV Impact Survey 2016-2017

(PMTCT). Current ART coverage has significantly increased from 49% in 2015 to 80% in 2020 although figure is proportionately lower in children under 15 years of age (70%); almost 100% of pregnant women living with HIV received ART for PMTCT. This expansion of HIV and treatment services has saved thousands of lives, leading to 50 percent fewer HIV related deaths annually in 2017 compared to 2010 (UNAIDS 2019). Moreover, the number of new infections has decreased by nearly half, from 120,000 annually in 2000 to 65,000 in 2017 (UNAIDS 2018).

These positive trends notwithstanding, new infections have not decreased as quickly as deaths, thus it can be expected that more people will continue to be initiated on long term life-prolonging treatment.

Tanzania is on progress towards meeting the 90-90-90 targets with an estimated 83% of PLHIV aware of their status; 90% of those who know their status are on treatment and 92% on treatment virally suppressed[10].

TB

Tuberculosis is a major cause of morbidity and mortality in Tanzania especially among adults after HIV/AIDS and malaria. In Tanzania, TB affects disproportionately affects men of productive ages. The ratio of male to female infections was 1.6 in 2016 and 1.4 in 2019.

According to WHO Global TB report 2020, the TB incidence rate in Tanzania is estimated at 222 cases per 100,000 population, which is equivalent to 133,000 prevalent cases per year[11]. Of these 28,000 were also HIV positive.

In 2020, a total of 85,597 cases of all forms were notified which is an increase of 9,752 cases or 11% compared to 2018. Of the notified cases 99% were new and relapse TB cases, 44% were bacteriological confirmed TB cases and majority of reported TB cases (79%) were pulmonary TB cases; 16% of the new and relapse cases were pediatric.

The burden of MDR-TB is low, with a prevalence of 0.85% among new cases and 4.6% among re-treatment cases[12]. With scale up of GeneXpert testing, the notification of drug-resistant cases has increased from 178 cases in 2015 to 534 cases in 2019, but this is still below the national estimates[13]. There has been a significant decrease in the gap between detected and enrolled cases on second line treatment, from 33% in 2015 to 3% in 2019. Treatment success of MDR-TB patients was at 82.6% for the 2017 cohort. These results can be attributed to the decentralization of MDR-TB treatment services.

Due to an overlap of symptoms with COVID-19, TB notification was initially affected when COVID-19 was first reported in Tanzania, but the reorganization of service delivery to adapt to COVID-19 situations saw the restoration of services and increased uptake with commensurate notification of cases.

Malaria

The entire population of Mainland Tanzania is considered at risk for malaria, although transmission varies significantly among and within regions. Prevalence of malaria, the leading cause of morbidity and mortality in children under the age of five, more than halved between 2005 and 2017 from 18 to 7 percent. This decrease accounted for a significant decline in all-cause mortality in children under the age of five, from 167 deaths per 1000 live births in 2000 to 67 deaths per 1000 live births in 2015; half of this decline can be attributed to investments in malaria control interventions. However, the burden of malaria continues to vary according to region, from <1 percent in the highlands of Arusha to as high as 15 percent in the Southern Zone and 24 percent along the Lake and Western Zones; place of residence (urban 2.1% vs. rural 9.2%); household income (0.6 % for highest quintile vs. 14.2% in lowest quintile); and the mother's education (2.9% secondary school or more vs. 11.1% no education).

[10] UNAIDS Data, 2020
[11] WHO Global Tuberculosis Report 2021
[12] Tanzania Drug Resistant Survey, 2019
[13] Joint External Programme Review, April 2020

The malaria burden decreased due to scaled up and sustained use of insecticide treated nets (ITN) which were distributed to all households and prompt treatment of fevers with the more effective artemisinin combination therapy which were available at all public health facilities. Tanzania, through the National Malaria Control Programme, has now elaborated an ambitious plan to achieve zero deaths and eliminate malaria nationwide by 2030.

COVID-19

Tanzania recorded the first case of Covid-19 in March 2020 and had reported 509 cases by April 2020. However, following a change in policy on COVID-19, Tanzania ceased to report on COVID-19 and unlike many other countries in the region and globally, Tanzania did not adopt WHO recommendations on COVID-19 response. The policy was later changed in April 2021 following the death of HE President John Pombe Magululi, when under the directive of the new President HE Samia Suluhu Hassan, a special committee set up recommended uptake of WHO recommendations. Accordingly, the country has since reported 33,436 cases and 792 deaths as of February 2022.

In response to the pandemic, the Government of Tanzania (GoT) prepared a National COVID-19 response plan to develop and coordinate mitigation measures as well as mobilize resources to respond COVID-19 in the country. This response plan aims to prevent and detect the threats posed by COVID-19, while strengthening the country systems' preparedness for public health emergencies.

In 2020, the Global Fund, through the COVID 5% Grant Flexibility policy, approved USD 162m support for Tanzania's fight against COVID-19. In 2021, USD 112 million was made available through the C19RM 2021 funding mechanism and announced by Peter Sands to HE Samia Suluhu Hassan in a virtual meeting held in August 2021. The funds will help Tanzania procure medical oxygen, increase access to COVID-19 diagnostics, protect health workers with personal protective equipment (PPE), mitigate the impact of COVID-19 on HIV, TB and malaria services, strengthen health systems, particularly laboratory and surveillance capacities, and raise the awareness of the population.

Republic of Zambia

Zambia is a lower middle-income country with a projected 2020 population of about 18,4 million people (49.5% male, 50.5% female; 56.9% rural, 43.1% urban) and a population growth rate of about 3% per annum. The national health response is guided by the Zambia's Health Strategic Plan (NHSP 2017 – 2021) which details the government's commitment towards affording all citizens access to quality health services and complements the National Vision 2030 which expresses the Zambian people's aspiration "to become a prosperous middle-income nation by 2030".

HIV/AIDS

Significant progress has been demonstrated in the national HIV/AIDS response by a 30% reduction in AIDS-related deaths and 6% reduction in new HIV infections between 2010 and 2020. In addition, great strides have been made towards achieving UNAIDS 90-90-90 targets which included reaching 86% of the estimated PLHIV who know their HIV status, and of these 95% (1,179,031) were reported to be active on ART and 93% of those on ART were virally suppressed. Despite these successes the country remains highly burdened by HIV/AIDS with an estimated 1,5 million people (including 82,000 children) living with HIV according to 2021 UNAIDS Data. Adult (15–49 years) HIV prevalence and incidence for 2020 was 11.1% and 0.7% respectively while annual HIV new infections and deaths (among both adults and children) were 69,000 and 24,000 respectively (UNAIDS Data, 2021).

The country also made progress in scaling up high-impact HIV preventive interventions which included increasing coverage of VMMCs among eligible men to 31,8% by end of 2020, increasing coverage of ART among pregnant women (from 79 % to 80% by end of 2020), increasing coverage of EID (from 53% in 2015 to 65% by end of 2020) and increasing coverage of HIV prevention interventions among key and vulnerable populations (though this still remains suboptimal). The goal of the HIV program over the next five years is to reduce new HIV infections and AIDS-related mortality by 75% and reduce HIV-related stigma and discrimination to zero within the context of ensuring healthy lives and promoting well-being across all ages. To accelerate progress towards ending the epidemic, bold and ambitious targets have been set. These targets aim to transform the vision of zero new HIV infections, zero discrimination, and zero AIDS-related deaths into concrete milestones and endpoints. These aim at ensuring 95% of people living with HIV know their HIV status, 95% of people who know their status receive life treatment, and 95% of people on HIV treatment having a suppressed viral load by 2025

Tuberculosis

Between 2015 and 2020, Zambia made impressive gains in reducing the number of people who have developed Tuberculosis (TB) with an 18% reduction in both TB incidence and TB mortality. In addition, treatment success rate for drug sensitive and drug resistant TB increased from 67% & 60% to 89% & 78% respectively. Despite these significant milestones, the country remains among the 10 countries in the world which appear on all the three WHO lists of 30 top countries that are heavily burdened by TB, MDR-TB and TB-HIV. Based on the 2014 TB prevalence survey which was undertaken with support from the Global Fund, prevalence of bacteriologically confirmed and all forms of TB was 638 and 455 cases respectively per 100,000 population. TB incidence though reduced, remains high with 319 cases per 100,000 population reported in 2020 and 39% of the new TB cases being notified happening among people living with HIV (Global TB Report, 2021). In addition, out of the total 59,000 estimated TB cases that were expected to be notified in 2020, 18,300 TB cases (31%) were missed. It is on this basis and the need to align with Global End TB strategy that the National TB Program is now focusing on accelerating finding and treating TB early through various key patient - centered interventions which include minimizing stigma and improving access to high quality TB care services to reach the WHO recommended targets of 95% treatment coverage, 95% treatment success rate and 0% TB patients and their families experiencing catastrophic costs from the disease by 2035.

Malaria

Malaria is a major public health concern in Zambia with the entire population at risk, although prevalence varies widely across and within districts. Children under the age of five years, pregnant women, the chronically ill, and immuno-compromised persons, such as those living with HIV and AIDS, are among the highest risk groups for malaria infection in Zambia (World Malaria Report 2016, WHO).

Much progress has been made in reducing malaria burden in the past decade with malaria mortality reducing from 28 per 100,000 persons per year in 2013 to 7 per 100,000 persons per year by the end of 2018. Malaria incidence on the other hand reduced from 304 per 1,000 population in 2016 to 296 per 1000 population in 2019. Coverage of malaria parasitological testing has decreased from 98,6% in 2018 to 96% in 2020 while treatment coverage for confirmed malaria cases has increased from 92,8% in 2017 to 97% in 2020. Due to the impact of the Covid-19 restrictions and challenges to optimal implementation of IRS and LLIN distribution malaria incidence for the year 2020 was 395 per 1,000 population against a target incidence rate of 46 per 1,000.

To inform the next development of the malaria strategic plan, the country, with support from the Global Fund, successfully conducted a Malaria Indicator Survey in 2021. This is expected to determine the current uptake and utilization of LLINs and malaria prevalence which will inform future programming. The country is also implementing a malaria elimination strategy which has guided scale up of evidence-based focused, comprehensive, and sustained innovations in selected districts.

Overview on COVID-19 response

The Ministry of Health coordinates the multi-sectoral national response to Covid-19 with the support of a Special Advisor to the President. With the support of its donors, by the end of 2021, the Global Fund had swiftly made USD96 available to reinforce the national response, make urgent improvements to health and community systems, and mitigate COVID-19 impact on HIV, TB and malaria programs. The funds have been allocated to personal protective equipment, Covid-19 testing, oxygen, laboratory strengthening, surveillance, and coordination. In addition, to complement bio-medical interventions, Global Fund investment is also supporting community-based activities such as awareness raising and training on Covid-19 prevention and control.

II. 2021 FINANCIAL PERFORMANCE

The Secretariat dynamically manages its financial position under its Asset Liability Management ("ALM") framework, to ensure timely decision making. The overall financial position of the Global Fund ALM is constituted of the following core components:

1. **Uses of Funds**
   - 1.1 Grant Liabilities
   - 1.2 Strategic Initiatives (SI)
   - 1.3 Operating Costs of the Global Fund

2. **Sources of Funds**
   - 2.1 Donor Pledges and Contribution Agreements
   - 2.2 Treasury Management

Besides the Global Fund ALM, this section also provides an overview on the Global Fund Provident Fund.

II.1 Uses of Funds

1.1 Grant Liabilities

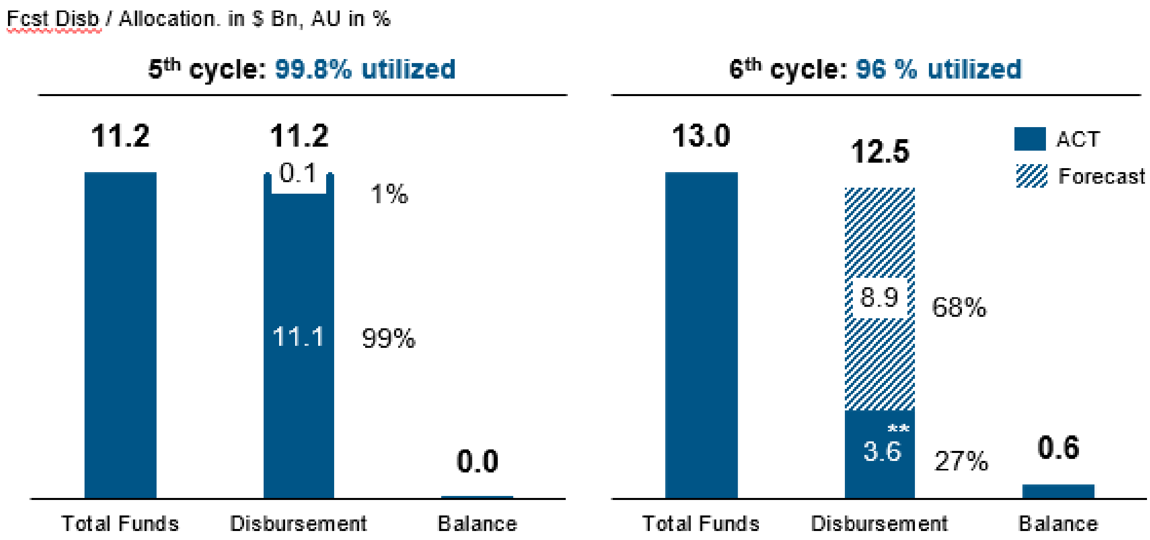
Key financial highlights for grant activities during 2021 are outlined below:

- When measured at the respective allocation rates, 2021 grant expenses, including C19RM 2021 and C19RM 2020, of USD 6,666 million (2020: USD 4,038 million) are 65% higher than the grant expenses made during 2020. This is reflective of the first year of implementation of the 2020-2022 grant cycle representing a total amount of USD 6,240 million.

- HTM (including C19RM 2020): when measured at the respective allocation rates, actual grant disbursements during 2021 for the grant portfolio amounted to USD 4,445 million, of which USD 1,013 million was for previous cycles and USD 3,446 million for 2020-2022 cycle.

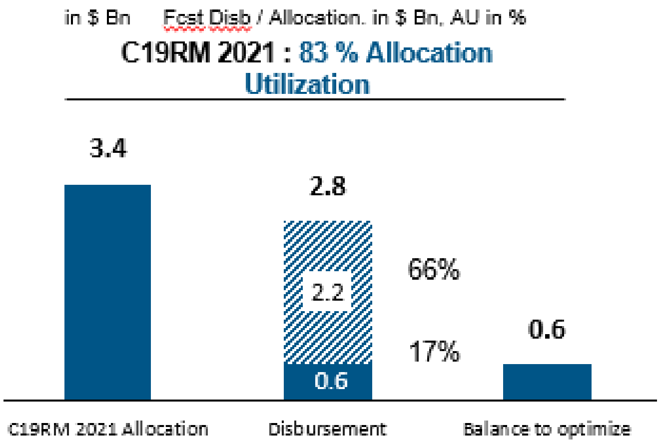
- C19RM 2021: when measured at the respective allocation rates, actual grant disbursements during 2021 for the grant portfolio amounted to USD 592 million, of which USD 97 million was for previous cycles and USD 495 million for 2020-2022 cycle.

The following figure provides the status of uses of funds as of 31 December 2021.



Strong Allocation Utilization for both 5th and 6th replenishment cycles:

- The end of the 5th replenishment cycles comes with a strong Allocation Utilization of more than 99% with USD 11.1 billion already disbursed.
- High Allocation Utilization of 96% for the 6th replenishment cycle with ~USD 3.6 billion disbursed in the first year of implementation representing 27% of the cycle.



C19RM 2021 Allocation Utilization of 83% including actual and forecast disbursement. C19RM 2021 were awarded during the last 8 months of 2021 causing implementation to start later in 2021.

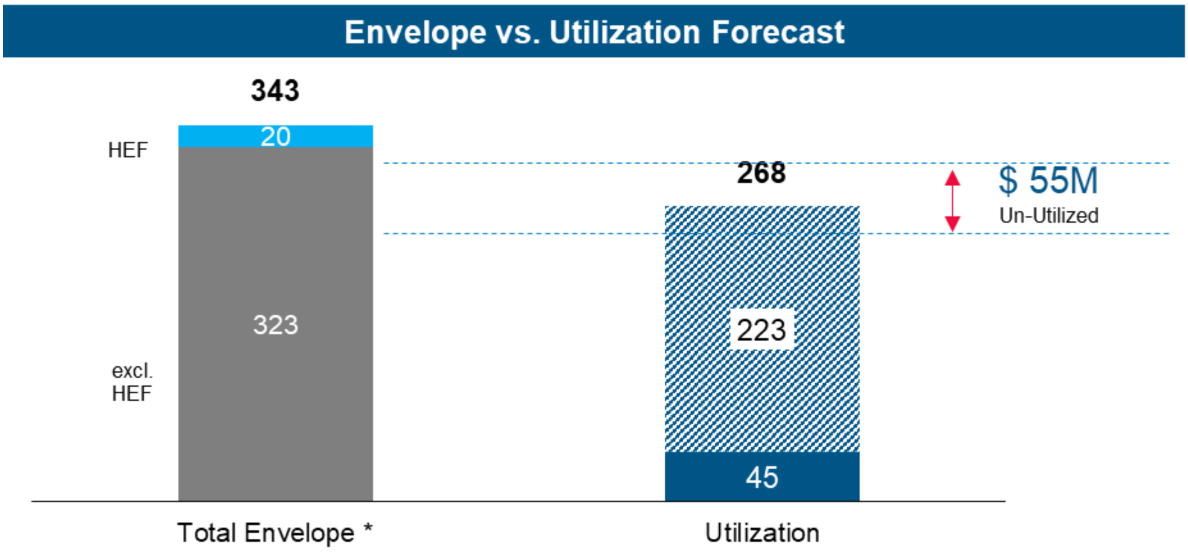
1.2 Strategic Initiatives

The cumulative fund utilization for Strategic Initiatives ("SI") at 31 December 2021 for 2020-22 allocation period reached USD 45 million of which USD 43 million was utilized in 2021. 2021 implementation has been driven by the finalization of negotiations with technical partners on partnership agreements and workforce onboarding.

The total available envelope for the SI cycle 2020-2022 amounts to USD 323 million, excluding the Emergency Fund, which is integrated with the underlying grants, with USD 307 million or 95% of the envelope approved by GAC.

The following figure provides an overview on the status of Strategic Initiatives at 31 December 2021 based on latest forecast assumptions.

Amounts in millions of USD at allocation rate



The SI cumulative fund utilization at 31 December 2021 for the 2017-19 allocation period reached USD 209 million of which USD 4 million was utilized in 2021. 2021 fund utilization has been achieved through the final implementation of 3 out of 18 initiatives with an extended delivery period until the end of 2021 and transactions linked to closure process.

With a total available envelope for SI funding of USD 209 million fully approved through budget review by the GAC, Fund utilization reached 100%. This excludes the Emergency Fund which is integrated with the underlying grants, but integrates the joint initiative with UNITAID on funding new generation LLINs.

1.3 Operating Costs of the Global Fund

The Global Fund has continued to proactively monitor its operating expenses whilst enabling the implementation of its priority projects in support of its 2017-2022 Strategy.

Performance against the budget

During 2021, the Global Fund incurred USD 316 million of operating expenses at spot rate (2020: USD 307 million) which is the highest level of spend since 2013. When measured at the 2021 budget rate it resulted in USD 304 million of operating expenses at budget rate (2020: USD 299 million) thereby yielding a foreign exchange loss of USD 12 million (2020: USD 8 million), which is integrated into the ALM. The following table provides an overview of 2021 operating expenses against the approved budget:

	Actuals	Revised Budget*	Variances	
	YTD December 2021	YTD December 2021	2021 Actuals vs Revised Budget	
			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%)**

Amounts in thousands of USD at budget rate

The COVID-19 pandemic has continued to impact the Secretariat operations, requiring ongoing efforts in delivering on key priorities and core operations remotely, whilst maintaining budget discipline and efficiency. Significant savings were realized in cost categories such as external assurance, staff costs, travel and meetings and due to the GHC closure. Additional efforts and resources were proactively reinvested, focused on replenishment activities ahead of the replenishment year in 2022 and support in accelerating the full implementation of the current cycle of grants. Reinvestments continue to be needed to adapt & strengthen the IT systems' agility and to further integrate into the grant life-cycle processes.

Amount in USD millions at budget rate	Items Impacted	Remarks
(1.4)	Recurring Workforce	Staff cost: delays in recruiting and overall onboarding of new staff largely driven by COVID.
(19.0)	Recurring Non-Workforce	COVID-19 related underspend versus budget on travel and meetings (USD -14.6M), on assurance mechanisms (LFA/HFA/CCM USD -4.2.M) and in other categories totalling (USD -2.3M) compensated by reinvestment decisions mostly on IT Office Infrastructure & Resource Mobilization of USD (+2.1M)
9.2	Non-Recurring Costs	Mainly driven by investment in staff cost incurred to address resourcing gaps and incremental provisions on leave encashment & performance awards

Operating costs, at spot rate, as a percentage of total expenditure decreased to 4.7% in 2021 (2020: 6.9%) driven by a 63% increase in grant expenditure compared to 2020.

For the year 2022, the Board has approved an annual operating cost budget of USD 322 million.

During 2021, the Global Fund incurred USD 20.0 million of C19RM Management and Operating Costs at spot rate. When measured at the 2021 budget rate it resulted in USD 19.6 million of operating expenses thereby yielding a foreign exchange loss of USD 0.4 million, which is integrated into the ALM.

II.2 Sources of Funds

2.1 Donor Pledges and Contribution Agreements

The Statement of Pledges and Contributions measures the contributions received against the pledges made by the donors for a given replenishment period.

The following table summarizes the pledges and contributions for the Sixth Replenishment period as at 31 December 2021:

STATEMENT OF PLEDGES AND CONTRIBUTIONS

REPLENISHMENT PERIOD			**2020-2022**	
In thousands			**in Donor Source Currency**	
	Donors	**Currency**	**Total Pledges**	**Total Contributions received**
A	**Contributions for the 6th replenishment** (includes C19 RM contributions)			
A.1	**Governments**			
	Armenia	USD	15'000	-
	Australia	AUD	242'000	102'100
	Azerbaijan	USD	20'000	5'800
	Belgium	EUR	45'000	30'000
	Benin	USD	1'000	-
	Burkina Faso	USD	1'000	-
	Burundi	USD	1'000	302
	Cameroon	XAF	3'000'000	-
	Canada	CAD	1020'400	686'500
	Central African Republic	XAF	600'000	-
	Chad	EUR	500	500
	China	USD	18'000	12'000
	Congo	USD	5'500	-
	Congo (Democratic Republic)	USD	6'000	-
	Côte d'Ivoire	USD	1'500	-
	Denmark	DKK	375'000	250'000
	Equatorial Guinea	EUR	2'000	-
	Eswatini	USD	6'000	4'000
	European Commission	EUR	550'000	409'540
	France	EUR	1'296'000	570'127
	Germany	EUR	1'290'000	990'000
	Greece	EUR	50	50
	India	USD	22'000	14'000
	Ireland	EUR	50'000	32'500
	Italy	EUR	161'000	101'943
	Japan	USD	840'000	660'499
	Kenya	USD	6'000	4'000
	Korea (Republic of)	USD	25'000	8'769
	Kuwait	USD	6'500	4'500
	Luxembourg	EUR	11'315	7'700
	Madagascar	USD	1'000	-
	Mali	EUR	500	-
	Malta	EUR	300	200
	Monaco	EUR	400	200

	Namibia	USD	1'500	-
	Netherlands	EUR	183'000	121'000
	New Zealand	NZD	2'500	2'000
	Niger	USD	1'000	-
	Nigeria	USD	12'000	10'167
	Norway	NOK	2'765'200	1'965'200
	Portugal	EUR	1'000	750
	Qatar	USD	50'000	20'000
	Rwanda	USD	2'500	850
	Saudi Arabia	USD	30'000	15'000
	Senegal	USD	1'000	-
	South Africa	USD	10'000	6'000
	Spain	EUR	100'000	40'000
	Sweden	SEK	2'950'000	2'000'000
	Switzerland	CHF	114'000	91'250
	Thailand	USD	4'500	3'000
	Togo	USD	1'000	-
	Uganda	USD	2'000	78
	Ukraine	USD	80	80
	United Arab Emirates	EUR	50'000	27'000
	United Kingdom	GBP	1'400'000	856'000
	United States	USD	8'180'000	3'149'999
	Zambia	USD	5'500	-
	Zimbabwe	USD	1'000	1'000
	Commitments to be personally secured by Bill Gates and Bono with the active support of France for the period 2020-2022	USD	96'724	-
	Other Public	USD	30'896	-
A.2	**Private Foundations**			
	Gates Foundation	USD	760'000	502'142
	Children's Investment Fund Foundation	USD	25'000	9'000
	FIFA Foundation	USD	1'500	-
	Fondation Chanel	USD	1'500	500
	Rockefeller Foundation	USD	15'000	8'000
	Tahir Foundation	USD	30'000	-
A.3	**Corporations**			
	KN Cam Ranh Co., Ltd.	USD	1'000	-
	Takeda Pharmaceutical	JPY	564'000	564'000
A.4	**Others**			
	Catholic Relief Services	USD	3'000	1'500
	Co-Impact	USD	5'050	2'250
	Comic Relief	USD	17'000	4'501
		GBP		1'417

Cordaid	USD	5'000	-
Goodbye Malaria	USD	5'500	1'606
Human Crescent	USD	10'000	-
Plan International and Plan Canada	CAD	3'900	1'400
Rotary Australia World Community Service and Rotarians Against Malaria	USD	7'200	-
RED	USD	150'000	110'515
United Nations Foundation	USD	70	70
YMCA and Y's Men International	USD	500	200
Others	USD	86'379	11'691

2.2 Financial management framework

The core financial framework and principles for the management of the Global Fund's Sources and Uses of Funds are set out in the Comprehensive Funding Policy (CFP), as approved by the Global Fund Board in November 2016 (GF/B36/DP04). The CFP defines asset-liability management principles and makes provisions for the management of foreign exchange risk and investments.

The Global Fund Secretariat monitors and reports to the Board and the Audit and Finance Committee on a regular basis on the three above-mentioned topics.

Asset-liability management
The Global Fund's asset-liability management ("ALM") framework, defined in the CFP, aims at ensuring the balance of Sources and Uses of Funds, as well as maximizing the amount, optimizing the timing and increasing the certainty of resources for recipients with a sufficient degree of advance visibility.

At the end of 2021, the Global Fund had sufficient confirmed financial resources as Sources of Funds to meet funding allocated by the Global Fund Board under Uses of Funds. In addition to assets included in the Global Fund's balance sheet, Sources of Funds include adjusted donor pledges and contribution agreements that are not included in financial statements.

2.3 Treasury Management

Investment Management
The World Bank, acting as the Trustee of the Global Fund Trust Fund, manages the Global Fund's investments. The investment framework provides clear guidance for the Trustee as it manages the investment procedures and practices. Under this framework, the Global Fund defines the strategic asset allocation with the support of the Trustee.

At 31 December 2021, the Global Fund Trust Fund investment balance pool was valued at USD 4,175 million (2020: USD 4,191 million) and returned 2.31% as the annual rate of return (2020: 2.80%). In absolute terms, the Trustee reported USD 76 million as the net investment income on the Trust Fund (2020: USD 112 million). This performance represents a decrease in investment income, compared to 2020.

Foreign Exchange Management

The Global Fund uses the US dollar (USD) as its functional and reporting currency. Foreign exchange risk arises due to a net open position in currencies other than USD in the Global Fund's Sources and Uses of Funds as defined in the Comprehensive Funding Policy.

The Global Foreign-Exchange (FX) Management Framework aims at effective management of risk arising from FX exposures to elements included in the Global Fund's asset-liability management framework. The hedging policy operates at a portfolio level and controlled with a specific risk metric utilizing value-at-risk (VaR). FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance sheet items. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

The key principles of hedging followed under the FX Management Framework can be summarized as follows:

- Role of hedging: reduce volatility of FX effects on the ALM (i.e. from reference point of the replenishment); and
- Hedging should produce FX effects in a direction opposite to FX effects before hedges.

Specifically in the period under review, hedges have produced, per currency, results of sign opposed to FX results before hedges. Overall FX effects before hedges, and effects of hedges, are very limited as a result of a fortuitous compensation of effects between currencies. USD value (as measured by the U.S. Dollar Index) has appreciated in Q4 2021. In the same period, EUR, NOK and SEK have depreciated against USD while all other currencies have slightly appreciated.

For the year ended 31 December 2021, a net foreign exchange gain of USD 14 million is reported on the net balance sheet positions (2020: USD 144 million net gain). The following table summarizes the impact of hedging on net FX results, including economic FX results (off-balance sheet).

USD million	Before hedges	Hedges	Net
Accounting FX results (on-balance sheet)	(57)	84	27
Economic FX results (off-balance sheet)	(13)	-	(13)
Net FX results 2021	**(70)**	**84**	**14**
Net FX results 2020	126	(95)	31

A detailed analysis on the net foreign exchange results are included in Note 5.7 to the annual financial statements.

III. THE GLOBAL FUND PROVIDENT FUND

The Global Fund maintains a Provident Fund scheme for the benefit of its employees. The Provident Fund is administered in Swiss Francs (CHF) consistent with employee remuneration. As at 31 December 2021, when measured in CHF, the Provident Fund assets fully cover the underlying employee benefit liability.

For the purposes of the annual financial statements, the Provident Fund assets are translated into USD. The Provident Fund qualifies as a defined benefit obligation under IAS-19 *Employee Benefits* and accordingly is subject to an annual actuarial valuation. Following the technical valuation by an external actuary, the net employee benefit obligation was valued at USD 252 million (2020: USD 240 million). This includes USD 250 million of Provident Fund reserves and USD 2 million of cumulative actuarial valuation reserve.

As at 31 December 2021, the Provident Fund asset base was USD 251 million (2020: USD 231 million) which included USD 239 million (2020: USD 213 million) of investments measured at fair value and USD 12 million (2020: USD 18 million) in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund Constitutional Declaration and Benefits Rules. During 2021, a net fair valuation gain on Provident Fund investments for USD 11 million (2020: USD 7 million net gain) was reported. The annual rate of return on Provident Fund investments was 4.6% against a benchmark of 4.5% (2020: 3.5% against benchmark of 5.5%). When compared with other pensions funds, the Strategic Asset Allocation of the Global Fund Provident Fund ("GFPF") is much more conservative. The market average holds 33% equities while the GFPF equity holding is 21%. This explains a performance difference of more than 3% in 2021.

The financial results for 2021 made CHF 9.4 million (2020: CHF 4.9 million) available as surplus for distribution to its members. Upon approval of the annual financial statements by the Global Fund Board, this surplus will be allocated to member's retirement reserve. Since its inception in 2009, the Provident Fund has distributed surplus in 8 years amounting to a cumulative value of CHF 48.6 million. This reflects a strong investment management framework and implementation by the Provident Fund Management Board and its Investment Committee.

FINANCIAL STATEMENTS

Responsibility for the financial statements

The Secretariat is responsible for the preparation of the financial statements and related information that is presented in this report. The financial statements are prepared in conformity with accounting principles under the International Financial Reporting Standards (IFRS). The financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA was appointed as the independent auditors by the Global Fund Board upon the recommendation of the Audit and Finance Committee to audit and opine on the financial statements of the Global Fund.

The Secretariat designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorised use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of external reviews.

The Global Fund Board, through its Audit and Finance Committee, meets periodically with the Secretariat and KPMG SA to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting.

These financial statements as at and for the year ended 31 December 2021 were approved by the Board on 15 April 2022.

Statement of income
for the year ended 31 December

USD millions	Notes	2021	2020
Operating activities			
Income			
Contributions	4.1	3,928	6,754
Expenditure			
Grants	3.2	(6,788)	(4,164)
Operating expenses	6.1	(325)	(302)
Total		**(7,113)**	**(4,466)**
Net operating activities		**(3,185)**	**2,288**
Financing and Investing Activities			
Foreign exchange result, net	5.7	27	144
Financial income, net	5.8	74	112
Discounting on long-term financial positions	5.9	(28)	74
Total		**73**	**330**
(Decrease)/ increase in funds		**(3,112)**	**2,618**

Statement of comprehensive income
for the year ended 31 December

USD millions	Notes	2021	2020
(Decrease)/ increase in funds		(3,112)	2,618
Other comprehensive income			
Re-measurement losses on defined benefit plan that will not be reclassified to the statement of income	6.3	(2)	(11)
Total comprehensive (loss)/ income for the year		**(3,114)**	**2,607**

Statement of financial position
In millions of USD

As at 31 December	**Notes**	**2021**	**2020**
Assets			
Current assets			
Cash and cash equivalents	5.1	218	53
Trust Fund	5.2	4,180	4,191
Contributions receivable	4.2	1,707	2,009
Derivative financial instruments at fair value	5.6	59	31
Other receivables	4.2	43	29
		6,207	6,313
Non-current assets			
Contributions receivable	4.2	722	2,375
Provident Fund investments	5.3	239	213
Tangible and intangible assets	6.2	50	63
		1,011	2,651
Total Assets		**7,218**	**8,964**
Liabilities			
Current liabilities			
Grants payable	3.3	3,607	1,803
Derivative financial instruments at fair value	5.6	6	256
Other current liabilities	6.4	78	64
		3,691	2,123
Non-current liabilities			
Grants payable	3.3	48	250
Employee benefit liabilities	6.3	252	240
Lease liability	6.2	39	49
		339	539
Total Liabilities		**4,030**	**2,662**

As at 31 December	Notes	2021	2020
Temporarily restricted funds	7.3	66	19
Unrestricted funds	7.3	3,122	6,283
Total Funds		**3,188**	**6,302**
Total liabilities and funds		**7,218**	**8,964**

Statement of cash flows
for the year ended 31 December

USD millions	Notes	2021	2020
Operating activities			
Cash received from donors	4	5,754	5,474
Grant disbursements		(5,150)	(4,264)
Payments for operating expenses		(297)	(286)
Cash realized on forward contracts settlements		(193)	(8)
Net cash flow from operating activities		113	916
Investing activities			
Financial income received, net	5.8	94	59
Purchases of Provident Fund investments		(30)	(53)
Sales of Provident Fund investments		8	37
Purchases of tangible and intangible assets	6.2	(1)	(1)
Net cash flow from investing activities before Trust Fund movements		71	42
Net cash rebalancing between commercial banks and Trust Fund		(8)	(969)
Net cash flow from/ (used in) investing activities		63	(927)
Financing activities			
Payment of lease liabilities	6.2	(8)	(7)
Net cash flow used in financing activities		**(8)**	**(7)**
Net increase/ (decrease) in cash and cash equivalents		168	(18)
Cash and cash equivalents			
- at beginning of the year	5.1	53	65
Effect of exchange rate changes		(3)	6
- at end of the year	5.1	**218**	**53**

In addition to the cash and cash equivalents reported in the statement of cash flows presented above, the Global Fund considers Trust Fund as an integral part of the cash management for its core operations. The following table provides an overall operational cash management position:

As at 31 December	Notes	2021	2020
Amounts held in commercial banks	5.1	218	53
Amounts held in Trust Fund	5.2	4,180	4,191
Total operational cash balance		**4,398**	**4,244**

Statement of changes in funds
for the year ended 31 December

USD millions

	Foundation capital (1)	**Temporarily restricted funds**	**Unrestricted funds**	**Total**
As at 1 January 2020	-	**11**	**3,684**	**3,695**
Increase in funds for the period	-	8	2,610	**2,618**
Other comprehensive income	-	-	(11)	**(11)**
At 31 December 2020	-	**19**	**6,283**	**6,302**
As at 1 January 2021	-	**19**	**6,283**	**6,302**
Increase/ (decrease) in funds for the period		47	(3,159)	**(3,112)**
Other comprehensive income	-	-	(2)	**(2)**
At 31 December 2021	-	**66**	**3,122**	**3,188**

1) The Global Fund maintains CHF 50,000 as statutory foundation capital.

Explanatory notes to the annual financial statements

The Global Fund presents its financial statements to include the following key financial statements:

1- Statement of income;
2- Statement of comprehensive income;
3- Statement of financial position;
4- Statement of cash flows; and
5- Statement of changes in funds.

The disclosure content in the financial statements and in particular the notes to the financial statements is carefully selected to increase focus on the net financial results of what drives the Global Fund's performance. The financial statements have been supported by detailed notes grouped into seven sections that provide a granular view of the core activities of the Global Fund.

With the intent to enhance readability and understanding, each section presents the financial information and material accounting policies that are relevant to understanding the activities and accounting principles of the Global Fund.

The accompanying notes are an integral part of these financial statements.

Index for notes to the financial statements

Section 1: Activities and organization

The Global Fund to Fight AIDS, Tuberculosis and Malaria ("the Global Fund") is a partnership designed to accelerate the end of HIV/AIDS, tuberculosis and malaria as epidemics. It applies four core principles: country ownership, partnership, transparency and performance-based funding.

The Global Fund is recognized as an international organization, initially formed as a Swiss foundation. It commenced operations on 22 January 2002 and Geneva authorities accepted its registration on 24 January 2002. Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations: The Swiss Federal Council accorded the Global Fund international organization status, which is comparable to that of UN organizations, through the 2004 Headquarters Agreement. The United States of America, through an executive order in 2006, designated the Global Fund as a public international organization in accordance with the United States International Organizations Immunities Act. The European Commission, through a 2014 Commission Decision, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds.

The Global Fund Provident Fund does not have a separate legal personality from the Global Fund. It enjoys the same privileges and immunities accorded to the Global Fund in line with the organizational status outlined above.

The Global Fund headquarters is in Geneva, Switzerland. The registered address is Chemin du Pommier 40, Grand-Saconnex 1218, Geneva, Switzerland. Foundations may be subject to monitoring by the Swiss Federal Supervisory Board for Foundations. The Global Fund does not have any in-country offices, branches or affiliates.

Section 2: Basis of reporting

Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS does not contain specific guidelines for not-for-profit organizations concerning the accounting treatment and presentation of the financial statements. Where the IFRS are silent or do not give guidance on how to treat transactions specific to the not-for-profit sector, accounting policies have been based on IFRS dealing with similar and related issues or the general IFRS principles, as detailed in the Conceptual Framework for Financial Reporting.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value or at amortized cost, as explained in the respective sections of the foot note disclosures. For such items that are subject to measurement at fair value, the inputs and fair valuation techniques are described in the respective notes in the financial statements.

Due to rounding, numbers presented throughout these financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

These financial statements as at and for the year ended 31 December 2021 were approved by the Global Fund Board on 15 April 2022.

Functional and presentation currency

The financial statements are presented in United States dollars ("USD"), the Global Fund's functional currency, and rounded to the nearest million, unless otherwise stipulated.

Transactions in foreign currencies are recognized in USD at rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to USD at the exchange rates at the reporting date. All differences are recognized in the statement of income.

Significant management judgments, estimates and assumptions

All significant accounting policies, judgments, estimates and assumptions that are relevant to the understanding of the financial statements are provided through the notes to the financial statements. In particular, the Global Fund has applied judgment in accounting for certain transactions with respect to grants (Section 3) and contributions (Section 4).

The Global Fund is subject to risks and uncertainties that may lead to actual results differing from estimates. Specific financial risks for the Global Fund are discussed in Section 4 and Section 5.

Changes in significant accounting policies, estimates and judgments and standards issued and not yet effective

A number of new standards, amendments and interpretations either became effective 1 January 2021 or were issued but not yet effective. These are either not applicable to the Global Fund or these do not have a material impact on the Global Fund's financial statements.

Financial instruments – Accounting classification

The following table shows the net carrying amounts of financial assets and financial liabilities. For financial assets and liabilities not measured at fair value, the carrying value is a reasonable approximation of fair value.

As at 31 December 2021

All amounts in USD million

		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	218	-
Trust Fund asset	5.2	4,180		-
Contributions receivable	4.2	-	2,429	-
Derivative financial instruments measured at fair value, net asset	5.6	53	-	-
Provident Fund Investments	5.3	239	-	-
Other receivables*1	4.2	-	37	
Grants payable	3.3	-	-	3,655
Lease liability	6.2	-	-	46
Other liabilities*2	6.4	-	-	8

As at 31 December 2020

All amounts in USD million

		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	53	-
Trust Fund asset	5.2	4,191	-	-
Contributions receivable	4.2	-	4,384	-
Derivative financial instruments measured at fair value, net liability	5.6	225	-	-
Provident Fund Investments	5.3	213	-	-
Other receivables*1	4.2	-	21	-
Grants payable	3.3	-	-	2,054
Lease liability	6.2	-	-	57
Other liabilities*2	6.4	-	-	17

*1 Other receivables that are not financial assets (prepaid expenses) are not included.

*2 Other liabilities that are not financial liabilities (provisions and deferred contributions) are not included.

Section 3: Grant activities

Grant making is the core operation of the Global Fund and forms the major source of expenditure and cash outflow.

The table below summarizes the accounting results for core grant activities based on the accounting principles underlined in this section:

Grant stage for the year ended 31 December	*Contingent Liability: Board approved but not committed*	*Annual commitment*	*Disbursement of committed amounts As per statement of cash flow*	*Foreign exchange gains on EUR grant liabilities*	*Annual commitments not disbursed as at 31 December (Grants payable as per statement of financial position)*
Notes	**3.1**	**3.2**			**3.3**
2021	9,044	6,788	5,150	44	3,655
2020	9,182	4,164	4,264	(13)	2,054

Impact of COVID-19 pandemic on grant operations

Since the onset of the pandemic in 2020, the Global Fund works with partners, countries and communities to fight COVID-19, adapt lifesaving HIV, TB and malaria programs, and reinforce fragile systems for health.

During 2021, the Global Fund has approved USD 3,204 million (2020: 980 million) in grant funding, including USD 10 million of 2021 grant flexibilities, to 109 countries and 18 multicountry programs to support their responses to COVID-19 in line with the C19 emergency mechanism approved by the Board.

In the following notes, each stage of the standard grant lifecycle has been analysed in detail:

3.1 Contingent liability

Contingent liabilities for grants are reported when the possible maximum obligation under the grant becomes clear and is communicated to the Principal Recipient. They represent a possible obligation that can be reliably measured but is still dependent on future events like the performance of the Principal Recipient and the availability of funding.

At the time contingent liabilities are reported, the Global Fund does not yet have a present obligation that it has no practical ability to avoid because it still has a substantive ability to manage the use of grant funds and accordingly restrict the future obligations and cash flows.

Following each replenishment cycle as mentioned under section 4, the Global Fund determines the grant allocation cycle by country and by disease. These allocations represent the maximum eligible funds available to any country for the next three years. In order to access this funding, the Principal Recipients in these countries submit funding applications which transform into operational grants. These grants are subject to technical, risk and operational evaluations. Each grant is ultimately approved by the Global Fund Board following the recommendation of the Secretariat’s Grants Approval Committee (“GAC”).

A contingent liability for grants is reported at the earlier of the following two milestones:

(i) the transmission of the draft grant agreement, which is conditional to the Board approval, to the Principal Recipient following the GAC recommendation, and

(ii) the Global Fund Board approval, this written grant agreement includes substantive conditions based on performance and availability of funding.

During grant implementation, the contingent liability of a grant is reduced by the cumulative amount of grant expenses. The following table summarizes the contingent liability for grants at 31 December:

By category	**2021**	**2020**
Grants approved by the Board but not signed	1,070	852
Grants agreements signed but not committed	7,974	8,330
Total: Contingent liability for grants to Principal Recipients	9,044	9,182
Strategic initiatives	8	-
Total	**9,052**	**9,182**

At 31 December 2021, all grants for which draft grant agreements were transmitted to the Principal Recipients were fully approved by the Board. The following table provides an overview of contingent liability for grants by programmatic region defined by the Global Fund according to the risk and geographical classification of each country for a given allocation period:

Contingent liability for grants to Principal Recipients By region	**2021**	**2020**
Asia (outside High Impact), Europe, Latin America and Caribbean	718	585
Africa (outside High Impact) and Middle East	2,140	1,767
High Impact Africa I	1,964	2,561
High Impact Africa II	2,578	2,980
High Impact Asia	1,644	1,289
Total	**9,044**	**9,182**

3.2 Grant expenditure

Grants on behalf of Principal Recipients

The recognition of grant liabilities is determined to be the point at which the annual funding decision is made and communicated by the Global Fund to the Principal Recipient. The annual funding decision provides the Principal Recipient with a firm disbursement schedule, together with a statement that conditions have been met and that the funding is available. At this point the Global Fund has a present obligation to the Principal Recipient to fulfil amounts committed and the full amount of the annual commitment resulting from the annual funding decision is recognized as a grant payable in the statement of financial position and recorded as expenditure within the statement of income.

During the year of the commitment, funds are disbursed on the basis of the annual funding decision and the level of remaining funds held by the Principal Recipient. As amounts are disbursed there will be a subsequent reduction in the level of grants payable.

Grants for Pooled Procurement Mechanisms

In 2021, approximately one-third of the total grant expenditure is towards procurement expenditure made through the Global Fund Board-approved Pooled Procurement Mechanisms ("PPM"). The Global Fund provides an online platform called wambo.org to its registered Principal Recipients who elect to use PPM to purchase health supplies. At the point when the Global Fund approves a purchase order in wambo.org, a grant expenditure and the corresponding liability are recorded. The Global Fund pays the procurement service agent, which in turn forwards the payment to the manufacturer on behalf the Principal Recipients in line with the underlying delivery terms, thereby reducing the liability.

Strategic Initiatives

Besides the main grants, the Global Fund provides separate funding for Strategic Initiatives that support the success of country allocations but cannot be funded through disease-specific components of grants. These initiatives are implemented through partners and suppliers for which individual multi-year projects that extend through a three-year allocation period are approved by the GAC. The recognition of expenditure and liability are linked to service delivery.

Grants under recovery

Grants under recovery from Principal Recipients are recognized at the point of issuing a formal demand letter to the Principal Recipients for amounts stated in the letters as being owed by them to the Global Fund. The amounts determined as grants under recovery are recognized through the statement of income. Given the operational nature of these recoveries, these are reported as a reduction of grant expenditure. At each reporting period, each recoverable is reviewed for expected credit loss due to uncertainty in future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

The following table summarizes grant expenditure for the years ended 31 December:

	2021	**2020**
By category		
Grants on behalf of Principal Recipients	4,618	2,769
Grants for PPM orders	2,123	1,300
Total grants for Principal Recipients	**6,741**	**4,069**
Grants under recovery	(4)	9
Strategic Initiatives	51	86
Total grants	**6,788**	**4,164**
By disease		
HIV-AIDS (including HIV/TB)	3,530	1,896
Malaria	1,916	1,455
Tuberculosis	830	581
Others (including RSSH and multi-component)	465	137
Total grants for Principal Recipients	**6,741**	**4,069**

By region		
Asia (outside High Impact), Europe, Latin America and the Caribbean	546	448
Africa and Middle East	1,484	1,021
High Impact Africa I	1,380	879
High Impact Africa II	2,304	1,073
High Impact Asia	1,027	648
Total grants for Principal Recipients	**6,741**	**4,069**

3.3 Grants payable

The following table summarizes grants payable at 31 December:

	2021	**2020**
Grants payable within one year		
Grants payable to Principal Recipients		
- In USD	3,076	1,556
- In EUR	460	184
Net grants payable to Principal Recipients in USD equivalent	3,597	1,781
Strategic Initiatives	10	22
Net grants payable in equivalent USD within one year	**3,607**	**1,803**
Grants payable after one year		
Grants payable to Principal Recipients		
In USD	44	190
In EUR	3	50
Net grants payable in equivalent USD after one year	**48**	**251**
Total grants payable in equivalent USD	**3,655**	**2,054**

The long-term portion represents amounts that are due to be disbursed later than one year after the date of the statement of financial position and that are discounted to estimate their present value at this same date. The impact towards discounting of long-term grants payable is disclosed separately in the statement of income for the reporting period *(Note 5.9)*.

Section 4: Donor activities

The Global Fund follows a three-year replenishment cycle to secure funding for its grants and administrative operations. At the time of a Replenishment Conference, donors make public announcements of their intended future contributions. These announcements are described as pledges. Pledges do not trigger an accounting event for the Global Fund as the conversion of pledges into firm contributions will require further substantive actions to be taken.

The table below summarizes the accounting results for contributions based on the accounting principles underlined in this section:

For the year ended 31 December	*Opening contributions receivable*	*Contributions per the statement of income*	*Discounting*	*Contributions received per the statement of cash flow*	*Foreign exchange fluctuation*	*Contributions receivable on the statement of financial position*
NOTE	4.2	4.1	5.9			4.2
2021	4,384	3,928	(28)	5,754	(101)	2,429
2020	2,790	6,754	74	5,474	240	4,384

Impact of COVID-19 pandemic on contributions

Following the Board decision on April 9, 2020, the Global Fund launched an appeal to raise additional funding for COVID-19 emergency response and created the COVID-19 Response Mechanism (“C19RM”). On March 30, 2021, the Board approved an extension of C19RM and the associated timeline and operational flexibilities. Donor contributions recognized in 2021 in the statement of income include USD 1.8 billion (2020: USD 278 million) received in response to this appeal and follow the Comprehensive Funding Policy.

In the following sections, the financial impact of each stage in the donor contribution process has been analyzed in detail:

4.1 Contribution income and revenue recognition

The revenue recognition policy of the Global Fund follows the general principles as detailed in the Conceptual Framework for Financial Reporting.

The first point of revenue recognition is the signing of a formal contribution agreement with a donor. All contributions governed by a written contribution agreement that do not have any substantive conditionality bearing on future receipts are recorded as income at the date of signature of the agreement.

The management has undertaken comprehensive evaluation to establish reasonable assurance on the probability of future economic benefits and degree of certainty for future encashments based on donor profile, political engagement and institutional relationship from such donors. For cases where the management concluded there is no substantial conditionality, revenue is recognised for the corresponding value of the signed contribution agreements, discounted where appropriate. Note 4.3 provides further detail on contribution agreements that bear substantial conditionalities.

The following table summarizes the source of revenue recognized for the year ended 31 December:

	2021	2020
Donor contributions		
By donor category		
Public	3,873	6,229
Foundations	21	500
Product (RED)	18	32
Corporations	3	2
International not-for-profit organizations	13	9
Derecognition of US Fund assets	-	(18)
Total	**3,928**	**6,754**
By donor intent		
Unrestricted	3,824	6,699
Restricted- Others	104	55
Total	**3,928**	**6,754**

4.2 Contributions receivable

Contributions receivable are agreements signed where income has been recognized but the cash has not been received. Contribution receivables are stated at amortized cost net of a provision for expected credit losses to cover the risk of future non-payment.

Contributions receivable maturing later than one year after the date of statement of financial position are discounted at fair value using a rate of return reflecting the credit risk of the donor and subsequently measured at amortized cost using the effective interest method.

The impact towards discounting of long-term contribution receivable is disclosed separately in the statement of income for the reporting period *(Note 5.9)*.

The following table summarizes contributions receivable at 31 December:

	2021	2020
Contributions receivable within one year	1,707	2,009
Contributions receivable after one year	722	2,375
Total value of contributions receivable	**2,429**	**4,384**
Receivable in 2021	-	2,012
Receivable in 2022	1,707	1,657
Receivable in 2023	17	-
Receivable after 2023	767	750
Gross contributions receivable	2,491	4,419
Discounted	(62)	(35)
Net present value of contributions receivable	**2,429**	**4,384**

The Global Fund reviews all contributions receivable as at the reporting date to assess for any expected credit losses. This assessment is based on a detailed review of individual donor credit profile, in-country economic and political situation and other known factors that may potentially have an adverse impact on the future cash receipts. Where the Global Fund determines there to be a collection risk then an appropriate risk premium is deducted from receivable balances to reflect this risk. The risk premiums held are maintained as a provision for expected credit losses. This includes USD 10 million of expected credit losses (2020: USD 8 million).

Other Receivables

The following table summarizes other receivables at 31 December:

	2021	**2020**
Grants under recovery, net	15	11
Working capital advance for pooled procurement mechanisms	11	1
Security deposit	9	9
Prepaid expenses for Opex and Strategic Initiatives	8	8
Total	**43**	**29**

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. This includes expected credit loss of USD 15 million given the uncertainty of future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol (2020: USD 13 million).

4.3 Conditional contributions

The Global Fund may enter into contribution agreements with donors that are subject to performance obligations or conditions to be realized and reported over the period of the agreement. Given the uncertainty associated with the future encashments in respect of such donor agreements, USD 338 million (2020: USD 384 million) will be recognized as revenue in the financial year in which the related performance obligations are satisfactorily fulfilled.

Section 5: Management of funds

The Global Fund is a financing institution and hence the management of its financial assets and liabilities is integral to the successful mission of the organization. In addition to its long-standing relationship with the World Bank, the Global Fund has built relationships with private sector banks to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

The following table summarizes cash and cash equivalents at 31 December:

	2021	**2020**
Amounts held in commercial banks	218	53

Amounts are held in commercial banks that have a long-term credit rating of *A or higher*.

5.2 Trust Fund

The World Bank acts as the Trustee for the Global Fund. Assets held in trust by the World Bank are held in a pooled cash and investments portfolio, hereinafter called "the Pool", established by the Trustee for all trust funds administered by the World Bank Group.

Most financial contributions are received directly by the Global Fund and subsequently held in a trust fund which is administered by the World Bank. The objectives of the investment portfolio strategy are to maintain adequate liquidity to meet foreseeable cash flow needs, preserve and optimize investment returns. The movement in fair value of funds held in trust is recognized in the Statement of Income. The cash is invested by the World Bank in accordance with the investment framework of the Global Fund as approved by the former Finance and Operational Performance Committee of the Board.

All disbursements out of the Trust Fund require authorization from by the Global Fund. In accordance with the terms of the Trust Fund Agreement, as amended from time to time, between the Global Fund and the World Bank, the Global Fund is the beneficial owner of the funds, assets and receipts that constitute the Trust Fund. The agreement may be terminated at any time by either party on a 90-day written notice with all funds, assets and receipts reverting to the Global Fund upon termination. The funds held in the Trust Fund qualify as a single asset and as such are presented separately in the statement of financial position but form an integral part of the operational cash management.

As at 31 December 2021 the Pool had a fair value measurement of USD 36,857 million (2020: USD 35,052 million) as confirmed by the World Bank. The following table reflects the asset allocation in the pool:

Types of financial instruments	**2021**	**2020**
Government and agency obligations	53%	63%
Time deposits and money market securities	33%	21%
Asset-backed securities	8%	9%
Equity securities	5%	7%
Derivatives, net	1%	-%
Total	**100%**	**100%**

<u>Fair value of financial instruments held in Pool</u>

The Trust Fund's assets consist of its share of cash and investments in the Pool. The Pool is actively managed and invested in accordance with the investment 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's share in the Pool is not traded in any market; however, the underlying assets within the Pool are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. All investment decisions are made and performance is monitored at the Pool level. The fair value amount of the Trust Fund's share of the cash and investments in the Pool at the end of each reporting period is also disclosed.

The International Bank for Reconstruction and Development, IBRD, on behalf of the World Bank Group, has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently sourced market parameters such as yield curves, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits, money market securities, asset-backed securities, equity securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

The techniques applied in determining the fair values of financial instruments are summarized below.

Government and agency obligations, asset-backed securities and equity securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations, asset-backed securities and exchange-traded equity securities. For securities for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally-generated or vendor-supplied, that include discounted cash flow method using market observable inputs such as yield curves, credit spreads, prepayment speeds, foreign exchange rates, and funding spreads.

Time deposits and money market securities

Unless quoted prices are available, time deposits and money market securities are reported at face value, which approximates fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at face value, which approximates fair value.

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps, and contracts to purchase or sell to-be-announced (TBA) securities. Derivatives are valued using model-based valuation techniques which include discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Fair valuation hierarchy

The Trustee undertakes a fair valuation of the financial instruments held in the shared pool of cash and investments. The fair value measurements are categorized based on the inputs to the valuation techniques as follows (in the order of priority placed on the inputs):

- Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets;
- Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the instrument; and

- Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Trust Fund's financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety.

Given that the Trust Fund's share in the Pool is not traded in any market it qualifies as a Level 2 asset given the observability and significance of the fair values of the underlying instruments and the fact that no adjustments for rights and obligations inherent with regard to ownership or frequency at which the organization can redeem its interest exists.

The following table shows the Trust Fund's share of financial instruments held in the Pool recognized at fair value, categorized between levels 1 and 2:

At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Government and agency obligations	1,183	1,203	-	2,386
Asset and mortgage-backed securities	-	349	-	349
Equity	213	-	-	213
Time deposits	74	1,405	-	1,479
Repurchase/ resale agreements		(18)	-	(18)
Derivatives, net	-	33	-	33
Sub-total:	**1,470**	**2,972**	**-**	**4,442**
Cash, receivables & payables			-	(262)
Total	**1,470**	**2,972**	**-**	**4,180**

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Government and agency obligations	1,582	1,148	-	2,730
Asset and mortgage-backed securities	-	412	-	412
Equity	204	-	-	204
Time deposits	102	797	-	899
Repurchase/ resale agreements	-	(8)	-	(8)
Derivatives, net	-	87	-	87
Sub-total:	**1,888**	**2,436**	**-**	**4,324**
Cash, receivables & payables	**-**	**-**	**-**	(133)
Total	**1,888**	**2,436**	**-**	**4,191**

The following table shows a comparative view of the Trust Fund and the cumulative value of the Shared Pool of cash and investments:

At 31 December 2021	Shared Pool of cash and investments	Trust Fund	% share
Level 1	10,148	1,470	14.49
Level 2	26,466	2,972	11.23
Level 3	-	-	-
Sub-total	**36,614**	**4,442**	**12.13**
Cash, receivables & payables	243	(262)	
Total	**36,857**	**4,180**	**11.34**

At 31 December 2020	Shared Pool of cash and investments	Trust Fund	% share
Level 1	13,197	1,888	14.31
Level 2	22,823	2,436	10.67
Level 3	-	-	-
Sub-total	**36,020**	**4,324**	**12.00**
Cash, receivables & payables	(968)	(133)	13.74
Total	**35,052**	**4,191**	**11.96**

5.3 Provident Fund Investments

The Global Fund Provident Fund ("Provident Fund") is established as a segregated fund within the Global Fund with an autonomous governance structure. The Provident Fund does not have separate legal personality from the Global Fund. The assets of the Provident Fund are invested for the purpose of the investment policy of the Provident Fund in accordance with the principles and responsibilities established in the Constitutional Declaration and Benefits Rules, as may be amended from time to time, and under article 6 of the Provident Fund Management Board Charter.

The Management Board through its Investment Committee makes the investment decisions for the Provident Fund assets. The Investment Committee has appointed an investment advisor, through which the Investment Committee has an established control framework to monitor the investment performance and fair valuation of the investment portfolio. The Provident Fund assets are managed by institutional fund managers in diversified global equity, bond and real estate funds. Funds are regulated, open-ended investment funds. The Management Board has appointed a custodian to maintain the physical custody of all Provident Fund investments.

There is a regular review of potential significant unobservable inputs and valuation adjustments as reported by the investment advisor. The respective investment managers are individually responsible for the fair valuation and performance measurement of their respective investment categories. The custodian collates the investment performance and fair valuation reporting monthly. On an annual basis the investment managers provide fair value hierarchy in which the valuations should be classified for their respective investments in compliance with the requirements of IFRS. Any significant valuation issues are reported separately. The investment advisor oversees all fair value measurements, including potential Level 3 fair values, and reports to the Investment Committee and the Management Board. When measuring the fair value of an asset or a liability, the investment advisor uses observable market data as far as possible.

The Provident Fund investments are classified upon initial recognition as financial assets and at fair value through profit & loss (“FVTPL”), with any gains or losses arising on re-measurement recognized in the statement of income. The net gain or loss recognized in the statement of income incorporates any dividend or interest earned on the financial asset and is included in the Provident Fund investment fair valuation gain line item.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as outlined in Note 5.2 above. The following table provides the fair valuation hierarchy of the Provident Fund investments:

At 31 December 2021	Level 1	Level 2	Level 3	Total
Total Provident Fund investments			**-**	**239**
Equity	21	31	-	52
Bonds	76	60	-	136
Real estate	-	51	-	51

At 31 December 2020	Level 1	Level 2	Level 3	Total
Total Provident Fund investments	**119**	**94**	**-**	**213**
Equity	38	4	-	42
Bonds	78	55	-	133
Money market	3	-	-	3
Real estate	-	35	-	35

The Provident Fund investments are held in Swiss Francs (CHF). The sensitivity of the investments to exchange rate fluctuations is analysed as at the end of each reporting period.

During 2021, USD 11.3 million was reported in net fair valuation gains on Provident Fund investments (2020: USD 7.3 million net fair valuation gains).

5.4 Financial risk management objectives and policies

The Global Fund has various financial assets, such as cash and cash equivalents, Trust Fund, Provident Fund assets, contribution receivables, other receivables and derivative financial instruments. The main financial liabilities comprise grants payable, accrued expenses, lease liability and derivative financial instruments.

The main risks arising from these financial assets and liabilities are market and liquidity risk, which are summarized below.

These risks are managed through a defined Treasury procedure. Compliance with these policies is monitored by the Treasurer and regular financial reporting is provided to the Global Fund Board through the Audit and Finance Committee, its standing committee on financial matters.

Risk management in respect of Trust Fund included in the Shared Pool of cash and investments

The Pool is exposed to market, credit and liquidity risks. There has been no significant change during the financial year to the class 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 as to minimize the probability of incurring negative returns over the applicable investment horizon.

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 unfavourable movements 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 decay factor is applied to weekly market data for the past three years with an exponential decay factor of 0.97. The covariance-variance matrix also includes the equity factor, where equity factor volatility is based on equity index returns. This approach takes into account three years' historical market observations, while giving more weight to recent market volatility.

The VaR of the Trust Fund's share of the portfolio over a twelve-month horizon, at a 95% confidence level as at 31 December 2021 is estimated to be USD 63 million (2020: USD 89 million).

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. The currency risk covers all categories of financial instruments that carry non-USD financial positions. Note 5.5 on Foreign exchange exposures provides an overview of the net position of major currencies holdings.

The Trust Fund's currency risk arises from the portion of cash and investments in the Pool that are denominated in currencies other than in USD. In accordance with the Trust Fund Agreement and/or the instructions from the Global Fund, the Trustee maintains the Trust Fund's share of cash and investments in the Pool in USD and EUR. Cash contributions received are converted into USD on receipt, except when the Global Fund instructs the Trustee to hold selected cash contributions received in EUR. Given the insignificant portion of Trust Fund assets held in EUR, there would be no material impact on the statement of income and statement of changes in funds from fluctuations in exchange rates as at 31 December 2021 and 2020.

iii. Credit risk/counterparty 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. Credit risk can be mitigated by limiting the amount of credit exposure to any individual issuer. Changes in the creditworthiness of an issuer can negatively impact the price of the securities. The portion of the investments held in securities that are rated below investment grade will be subject to a greater risk of default.

The Global Fund's maximum exposure to credit risk in relation to cash and bank balances, Provident Fund fixed income investments and contributions receivable is the carrying amount of those assets as indicated in the statement of financial position. In respect of funds held in the Trust

Fund the Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements with counterparties. The Trustee identifies concentrations of credit risk based mainly on the extent to which the cash and investments in the Pool 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.

The Trustee invests in liquid instruments such as time deposits and money market securities, government and agency obligations, and mortgage-backed securities and derivative contracts. The Trustee limits investments to those financial instruments with minimum credit ratings at the time of the purchase in the U.S. markets or equivalent as follows:

- Time deposits and money market securities: 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-;
- Asset-backed securities: minimum rating must be AAA; and
- Derivatives: counterparties must have a minimum rating of A-.

The following table presents the investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories at December:

Counterparty credit ratings	**2021**	**2020**
AA or greater	61%	67%
A- or greater	100%	100%

Risks other than market risk, in respect of all other financial assets, including the Trust Fund are analysed below:

Liquidity risk- Liquidity is an indicator of how easily an investment may be converted into cash. An investment may be less liquid if it is not widely traded or if there are restrictions imposed by the exchange or the issuer. For the Global Fund, the risk is that the entity will encounter difficulty in raising liquid funds to meet its commitments. All the financial liabilities are payable based on the credit terms agreed with the suppliers in the underlying contractual agreements that are mostly short term. The Global Fund makes commitments for operating expenditure budget, trustee fees and grants only if there are sufficient underlying assets. Long term financial liabilities are settled mostly between one and two years.

Economic risk- In addition to the financial risks outlined on the financial assets and liabilities the Global Fund is also exposed to the economic risk on its off-balance sheet positions denominated in currencies other than USD. These mainly include pledges, allocated amounts, signed grant amounts that have not had a subsequent annual funding decision and approved operating expenditure budgets over the allocation period.

Effective 2016 the Global Fund implemented a dynamic hedging strategy to preserve the net value of assets and liabilities against fluctuations of currency values and ensures the amounts from contributions and grants keep their economic value throughout their relevant periods of utilization.

The hedging strategy follows the general principles outlined below:

i. Role of hedging: reduce volatility of FX effects on the asset-liability model, i.e. from starting point of the replenishment; and
ii. Hedging should produce FX effects in a direction opposite to FX effects before hedges.

Under the guidance of the hedging principles, hedgeable exposures are determined as FX risks net of adjustments taken due to the uncertainty of the underlining amount and timing of inflows and outflows of funds. This includes:

i. Discount factor on donor contributions
ii. Discount factor on grants and other uses of funds
iii. Any other uncertainty factor

The FX risk limit is measured through VaR with a 99% probability on a monthly basis. Value at Risk is a statistical technique used to measure and quantify the level of financial risk over a specific period. It is measured in three variables: the amount of potential loss, the probability of that amount of loss and the period over which such potential loss could occur based on its probability. The VaR limit follows a two-risk metrics:

a. From the net FX exposure off-balance-sheet: a minimum of 50% of the resulting VaR (exposure at risk) shall be covered by the hedging strategy (i.e., VaR metric @ maximum 50% of the VaR arising); and
b. From the net FX exposure on-balance-sheet: a minimum of 75% of the resulting VaR (exposure at risk) shall be covered by the hedging strategy (i.e. VaR metric @ maximum 25% of VaR arising).

The risk metrics is reported under one combined VaR limit.

5.5 Foreign exchange exposures

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions, which creates an exposure to foreign exchange risk for these particular assets or liabilities. At the end of each reporting period, monetary items such as contributions receivable in currencies other than USD and grants payable denominated in EUR are retranslated at the rates prevailing at that date. The currency risk associated with the foreign exchange exposure, both financial and economic, has been detailed in Note 5.4 above. The following table summarizes exchange rates per USD for major currencies in which the Global Fund held financial positions at 31 December:

	2021	**2020**	**% fluctuation**	***Average FX Rates***	
Key foreign currencies				**2021**	**2020**
AUD	0.7257	0.7706	(6)	0.7513	0.6907
CAD	0.7856	0.7845	0	0.7979	0.7463
CHF	1.0937	1.1348	(4)	1.0941	1.0664
EUR	1.1313	1.2299	(8)	1.1831	1.1417
GBP	1.3503	1.3644	(1)	1.3756	1.2840
SEK	0.1105	0.1219	(9)	0.1166	0.1090
NOK	0.1133	0.1171	(3)	0.1164	0.1066

[The Global Fund sources its corporate FX rates from Refinitiv]

The Global Fund regularly undertakes the sensitivity analysis for each currency in which it holds significant exposure. The significant foreign currency exposures include Euros (EUR), Pound Sterling (GBP), Swedish kronor (SEK), Canadian dollars (CAD) and Swiss Francs (CHF).

The following table outlines, the nominal amounts in millions, of the management of the net position of main foreign currency exposures, including financial and economic, net of assets and liabilities:

	As at 31 December 2021			***As at 31 December 2020***		
Currency	*Net FX exposure*	*Hedges at nominal value*	*% hedge ratio*	*Net FX exposure*	*Hedges at nominal value*	*% hedge ratio*
AUD	118	107	91	198	187	94
CAD	580	533	92	740	695	94
CHF	(251)	(222)	88	(343)	(303)	88
DKK	125	108	86	250	233	93
EUR	97	(162)	-167	1,429	1,079	76
GBP	427	394	92	804	777	97
SEK	950	807	85	1,900	1,758	92
NOK	800	698	87	1,557	1,455	93

The Global Fund undertakes the sensitivity analysis based on a percentage change in exchange rates over immediately preceding three financial years. The Global Fund actively manages its foreign currency exposure through derivative financial instruments as described in Note 5.4. As a result of the high hedging ratio, there would be no material impact on the statement of income and statement of changes in funds of a strengthening or weakening of non-USD currencies as at 31 December 2021 and 2020.

5.6 Foreign exchange risk management

The Global Fund has implemented a strategy to mitigate the foreign exchange fluctuation risks as follows:

- Maximize the natural hedge of currency holdings by matching assets and liabilities by currency; and
- Monitor volatility and exposure by currency and engage in active hedging with levels of 50 to 100 through approved financial instruments.

A majority of the contribution receipts to the Trust Fund are denominated and predominantly held in in USD. However, a portion of funds are held in EUR to maintain a natural hedge for grant and other liabilities denominated in EUR. In addition, cash in EUR and CHF are held at a commercial bank to cover the operating expenses of the following year. Other currency balances are maintained for short time intervals in line with the cash management policy. The following table outlines the cash balances held in currencies other than USD in the source currency of cash holding:

As at 31 December	**2021**	**2020**
Amounts held in CHF	11	16
Amount held in EUR	7	22
Amount held in CAD	245	-

During the year the Global Fund used derivative financial instruments, notably forwards and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. These financial instruments are used by the Global Fund to mitigate foreign exchange risk and are recognized at fair value with subsequent movements in value reported through the statement of income. The following tables present the notional value and the fair value of derivative financial instruments by settlement date and by currency:

BY SETTLEMENT DATE

As at 31 December	**2021**	**2020**
Assets, settlement within 12 months	59	31
Liabilities, settlement within 12 months	(6)	(256)
Net liability for derivative financial instruments at fair value	**53**	**(225)**

BY CURRENCY

As at 31 December 2021

Currency (Level 2)	***Notional value in millions***	***Forward contracts at fair value in USD millions***
AUD	107	2
CAD	533	13
CHF	(222)	(1)
DKK	108	1
EUR	(162)	20
GBP	394	12
NOK	698	1
SEK	807	5
Net liability for derivative financial instruments at fair value		**53**

As at 31 December 2020

Currency (Level 2)	***Notional value in millions***	***Forward contracts at fair value in USD millions***
AUD	187	9
CAD	695	33
CHF	(303)	(16)
DKK	233	2
EUR	1,079	98
GBP	777	61
NOK	1,455	20
SEK	1,758	18
Net liability for derivative financial instruments at fair value		**225**

The fair value of derivative financial instruments is provided by the counterparty bank and based on price models using observable exchange rates, described as Level 2 in the fair value hierarchy.

5.7 Foreign exchange accounting

Foreign exchange gains or losses on non-USD positions are reported in the statement of income for the years ended 31 December were as follows:

	2021		**2020**	
By currency	*Before derivative instrument*	*After derivative instrument*	*Before derivative instrument*	*After derivative instrument*
AUD	(9)	(1)	3	(10)
CAD	1	1	(2)	(14)
CHF	2	(12)	1	29
EUR	(30)	44	96	(25)
GBP	(3)	(4)	85	127
SEK	(16)	(1)	20	5
NOK	1	-	36	35
Others	(3)		-	(3)
Total	**(57)**	**27**	**239**	**144**

	2021	**2020**
By net position		
Net foreign exchange (loss)/ gain on assets	(21)	163
Net foreign exchange gain/ (loss) on liabilities	48	(19)
Total: Net foreign exchange gain	**27**	**144**

5.8 Financial income, net

The investment of financial assets in the Trust Fund provides an investment return in line with the risks highlighted previously. The investment returns and related financial costs, are summarized in the table below:

	2021	**2020**
Trust Fund gains, net	76	114
Financial costs	(2)	(2)
Total	**74**	**112**

The following tables provide a detailed view of the composition of Trust Fund gains:

For the financial year ended 31 December 2021

	Realized	Unrealized	Total
Investment gains	115	15	**130**
Investment losses	(19)	(35)	**(54)**
Total	**96**	**(20)**	**76**

For the financial year ended 31 December 2020

	Realized	Unrealized	Total
Investment gains	68	56	**124**
Investment losses	(9)	(1)	**(10)**
Total	**59**	**55**	**114**

5.9 Discounting of long-term financial positions

By financial position	2021	2020
Contributions receivable	(28)	74
Grants payable	-	-
Total	**(28)**	**74**

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure in order to deliver its mission. The Global Fund Board approves an annual budget for operating expenses. All expenses are monitored and reported on a periodic basis to the Board through its Audit and Finance Committee.

The following table summarizes the Global Fund's operating costs under the main categories of expenditure for the years ended 31 December:

	2021	2020
Workforce costs	206	182
External assurance	52	48
Professional fees	36	32
Others	42	45
Total Secretariat costs	336	307
Provident Fund valuation	(11)	(5)
Total	**325**	**302**

Workforce costs are the human resources costs associated with the delivery of the Global Fund's mission. This includes staff cost for employees holding an employment contract, such as salary, compensation and benefits in accordance with the Human Resource policies. This also includes compensation for individual and agency consultants who are engaged for specific projects and/or as surge capacity. A notional internal taxation amount of USD 23.0 million has been calculated on the reported staff costs (2020: USD 22.1 million). No Swiss tax is paid by The Global Fund, nor by the employee on Global Fund employment income. At 31 December 2021 there were 982 staff personnel (2020: 866) employed by the Global Fund.

The external assurance costs include Local Fund Agent fees representing service costs incurred by the Global Fund to assess the in-country capacity prior to and during grant negotiation in addition to monitoring implementation of funded programs as grants are disbursed to Principal Recipients.

Professional fees represent the engagement cost of external consultants, technical partners and professional firms in providing management and technical services as needed by the Global Fund.

Other operating expenses include operating costs for Secretariat travel, meetings, communication materials, depreciation of right of use asset and maintenance, depreciation, and disbursements for Country Coordinating Mechanisms (CCMs) and Board Constituencies.

6.2 Tangible and Intangible assets

The Global Fund moved its headquarters office to the Global Health Campus ("GHC") in February 2018. The Global Fund is the primary lessee of the entire building, and sub-leases a portion of the office space to other public health organizations. Accordingly, the head lease has been fully recognized as a Right-of-Use ("RoU") asset in the Global Fund statement of financial position. The right-of-use asset is measured at cost, which includes the initial amount of the lease liability, initial direct costs incurred to restore the underlying asset and less any incentives received.

All ancillary costs regarding office maintenance and amenities are regarded as non-lease components and as such are recognized as expense in the period in which these ancillary costs are incurred. Any subsequent capital investments made by the Global Fund in the nature of leasehold improvements will be capitalized as leasehold assets and not as the increase in GHC RoU asset. The sub-leases are treated as operating leases.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the useful life of the right-of-use asset or end of the lease term which is 10 years.

All other assets are recognized at cost and depreciated over its useful life.

The following table provides an overview on the tangible and intangible assets:

Asset category	***Net assets at 01 Jan 2021***	***Additions***	***Depreciation***	***Net asset value at 31 Dec 2021***
Leased assets Head lease: ROU-GHC	53	-	(8)	45
Tangible assets	5	1	(3)	3
Intangible assets	5	-	(3)	2
Total	**63**	**1**	**(14)**	**50**

Asset category	***Net assets at 01 Jan 2020***	***Additions***	***Depreciation***	***Net asset value at 31 Dec 2020***
Leased assets Head lease: ROU-GHC	60	-	(7)	53
Tangible assets	8	-	(3)	5
Intangible assets	7	-	(2)	5
Total	**75**	**-**	**(12)**	**63**

The Global Fund carries USD 46 million (2020: USD 57 million) of the lease liability on the statement of financial position towards lease payments of the head lease agreement for the right to use GHC as its office space. As outlined in note 6.4 a portion of USD 7 million, payable in the next 12 months, is considered short term and remaining USD 39 million is the long-term part to be repaid until February 2028.

6.3 Employee benefit liabilities

The Global Fund maintains a Provident Fund for the purposes of providing retirement, death and disability benefits to its employees and their qualifying dependents and beneficiaries. The Provident Fund is the same legal entity as the Global Fund. It is a segregated fund with an autonomous governance structure. Consequently, the assets in the Provident Fund are disclosed within non-current assets in the statement of financial position and excluded from the pension plan assets under IAS 19.

The assets of the Provident Fund are received, invested and disbursed wholly and exclusively for the purposes of the Provident Fund and in accordance with the investment strategy established by the Provident Fund Management Board with the approval of the Audit and Finance Committee.

The Provident Fund provides retirement, death and disability benefits for the employees of the Global Fund and their qualifying dependents and beneficiaries. The cost of the plan is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, future salary increases, mortality rates, employee rotation and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, estimates relating to pension, and other post-employment benefits are highly sensitive to changes in these assumptions, all of which are reviewed at each reporting date as described below.

Actuarial valuation of defined benefit obligation

The measurement of net defined benefit liability requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of actuarial assumptions. The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the net deficit or surplus. Given the unfunded status of the Provident Fund as outlined above, the actuarial valuation does not include any plan assets.

The actuarial valuation of the defined benefit obligation for the Provident Fund scheme administered by the Global Fund is reported in the following table:

Change in benefit obligation	**2021**	**2020**
Benefit obligation at beginning of year	240	188
Current service cost	37	32
FX translation impact	(9)	19
Interest cost	-	-
Actuarial loss	3	11
Benefits paid from plan/company	(17)	(8)
Premiums and expenses paid	(2)	(2)
Benefit obligation at end of year	**252**	**240**

Current service cost: include contributions made by the Global Fund to the Provident Fund scheme as a part of monthly employment cost. It also includes employee contributions that are deducted under the monthly payroll.

FX translation impact: The Global Fund employment costs and defined benefits obligations are administered in CHF and translated to USD for the reporting purposes in the financial statements. Translation costs represent the exchange rate difference arising on the re-measurement of the opening balance of defined benefit obligation administered in CHF in equivalent USD at the end of the current reporting period.

Components of pension cost	**2021**	**2020**
Current service cost – employer contribution	23	20
Interest cost	-	-
Total pension cost recognized in the statement of income	**23**	**20**
Current service cost – Employee contribution	14	12
Total	**37**	**32**

Actuarial valuation recognized in other comprehensive income		
a. Effect of changes in demographic assumptions	-	-
b. Effect of changes in financial assumptions	(5)	-
c. Effect of experience adjustments	7	11
Total actuarial valuation recognized in other comprehensive income	**3**	**11**
Total defined benefit cost recognized in the statements of income and other comprehensive income	40	43

Principal actuarial assumptions		
Weighted-average assumptions to determine benefit obligations at 31 December		
Discount rate	0.30	0.10
LPP interest rate	1.00	1.00
Weighted-average assumptions to determine pension expense for the year ended		
Discount rate	0.30	0.10
LPP interest rate	1.00	1.00
Sensitivity analysis		
Discount rate -25 basis points	258	246
Assumption	0.05	(0.15)
Discount rate +25 basis points	247	235
Assumption	0.55	0.35
Mortality assumptions	BVG 2020 CMI 1.25%	BVG 2015 CMI 1.25%

Other required disclosure amounts		
Contributions expected to be paid to the plan during the annual period beginning after the reporting period	18	16
Average duration of the plan liabilities (in years)	10	10

6.4 Other current liabilities

	Note	2021	2020
Accounts payable for operating expenditure		8	8
Provisions and accrued expenses for operating expenditure		52	39
Deferred contribution		11	9
Current lease liability	6.2	7	8
Total		**79**	**64**

Section 7: Other disclosures

7.1 Related party transactions

Related parties include the members of the Board, Board committees and close family members of senior management.

An honorarium is paid to the independent members to the standing committees of the Board in accordance with the Honorarium Framework approved by the Global Fund Board (GF/B38/EDP13). Under this framework, the Chair and the Vice-Chair of the Board are also entitled to receive honoraria as per Board's decision. All other transactions with the Board and its committees are made at terms equivalent to arm's length transactions and within the operational framework of the Secretariat. During 2021, an aggregate of USD 110,500 (2020: USD 59,000) was paid to the eligible Board and Committee members as honoraria for their governance services performed during the course of the year. There was no loan to or from related parties outstanding as at 31 December 2021 (2020: nil).

Compensation of key management personnel: Key management, in common with all personnel employed by the Global Fund, are remunerated according to the Global Fund salary scale. Remuneration consists of salary, allowances and employer contributions towards Provident Fund and health insurance benefits. The remuneration of key management, comprising the Executive Director, members of the Management Executive Committee and the Inspector General, amounted to:

Remuneration category	**2021**	**2020**
Short-term benefits including salary and allowances	5.4	6.3
Long-term benefits including contributions to the Provident Fund	0.8	0.8
Total remuneration to key management personnel	**6.2**	**7.1**

7.2 Taxation

As an international organization with privileges and immunities, the Global Fund has received tax exemptions from Switzerland and the United States.

7.3 Unrestricted and temporarily restricted funds

All contributions received where the application of funds is limited by statutory restrictions, donor-imposed purpose or time restrictions, have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

Glossary

ART	Anti-retroviral Therapy
AFC	Audit and Finance Committee
ALM	Asset Liability Management
AUD	Australian Dollar
CAD	Canadian Dollar
CFP	Comprehensive Funding Policy
CHF	Swiss Franc
EUR	Euro
FVTPL	Fair value through profit & loss
GAC	Grants Approval Committee
GBP	Pound Sterling
GHC	Global Health Campus
NOK	Norwegian Krone
IFRS	International Financial Reporting Standards
IASB	International Accounting Standards Board
LLIN	Long lasting insecticidal net
PR	Principal Recipient
PPM	Pooled Procurement Mechanism
RoU	Right-of-use
RSSH	Resilient & Sustainable Systems for Health
SEK	Swedish Krona
USD	United States Dollar

Annex 2 – 2021 Statutory Financial Statements

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STATUTORY FINANCIAL STATEMENTS

The Global Fund

2021

Contents

Responsibility for the statutory financial statements

The Secretariat is responsible for the preparation of the statutory financial statements and related information that is presented in this report. The statutory financial statements are prepared in conformity with accounting principles under the applicable accounting and financial reporting provisions of the Swiss Code of Obligations. The statutory financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA were appointed as the statutory auditors by the Global Fund Board (the "Board") upon the recommendation of its Audit and Finance Committee to audit and opine on the statutory financial statements of the Global Fund.

The Secretariat designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of external reviews.

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat and KPMG SA to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting.

These statutory financial statements were approved by the Global Fund Board on 15 April 2022.

The Global Fund to Fight AIDS, Tuberculosis and Malaria, Geneva

Report of the Statutory Auditor

on the Financial Statements

to the Board

Financial Statements 31.12.2021

Independent Auditor's to the Board of

The Global Fund to Fight AIDS, Tuberculosis and Malaria, Le Grand-Saconnex

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Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of The Global Fund to Fight AIDS, Tuberculosis and Malaria (the "Global Fund"), which comprise the statement of income, statement of financial position, statement of changes in funds and explanatory notes as at and for the year ended 31 December 2021.

Board's and Secretariat's Responsibility

The Global Fund Board and the Secretariat are responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Global Fund's Bylaws. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Global Fund Board is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2021 comply with Swiss law and the Global Fund's Bylaws.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Global Fund Board.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Pierre-Henri Pingeon	Myriam Roulin
Auditor in Charge	*Licensed Audit Expert*
Licensed Audit Expert	

Geneva, 15 April 2022

Enclosure(s):

- Financial statements (statement of financial position, statement of income, statement of changes in funds, and explanatory notes)

Statement of Income

for the year ended 31 December

In millions of CHF	Notes	2021	2020
Operating activities			
INCOME			
Contributions	4.1	3,591	5,951
EXPENDITURE			
Grants	3.2	(6,206)	(3,669)
Personnel expenses	7.3	(188)	(149)
Other operating expenses	6.1	(109)	(117)
Total		(6,503)	(3,935)
Net operating (loss)/ income		**(2,912)**	**2,017**
Financing and investing activities			
Net foreign exchange income	5.6	25	4
Foreign exchange translation difference	5.7	293	(813)
Financial income, net	5.8	68	99
Discounting on long-term financial positions	5.9	(26)	65
Total		360	(645)
(Decrease)/Increase in funds		**(2,552)**	**1,371**

Statement of Financial Position

As at 31 December

In millions of CHF	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	5.1	199	47
Trust Fund	5.2	3,822	3,693
Contributions receivable	4.2	1,561	1,770
Other receivables		39	25
Derivate financial instruments at fair value	5.5	54	28
		5,675	5,563
Non-current assets			
Contributions receivable	4.2	660	2,093
Provident Fund Investments	5.3	218	188
Tangible and intangible assets	6.2	46	56
		924	2,336
Total Assets		**6,599**	**7,899**

As at 31 December

In millions of CHF	Notes	2021	2020
LIABILITIES			
Current liabilities			
Grants payable	3.3	3,298	1,589
Other liabilities		65	50
Derivative financial instruments at fair value	5.5	5	225
Lease liability		7	7
Total		3,375	1,871
Non-current liabilities			
Grants payable	3.3	44	221
Employee benefit liabilities	6.3	228	202
Lease liability		36	43
Unrealized foreign exchange and translation gains		29	123
Total		337	589
Total Liabilities		**3,712**	**2,460**

FUNDS	Notes	2021	2020
Temporarily restricted funds	7.2	60	17
Unrestricted funds	7.2	2,827	5,422
Total Funds		2,887	5,439
Total Liabilities and Funds		**6,599**	**7,899**

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Chief Financial Officer Executive Director

Date: Date:

Statement of Changes in Funds

for the year ended 31 December
In millions of CHF

	As at 1 January 2021	**Increase/ (decrease)**	**At 31 December 2021**
Temporarily restricted funds	17	43	60
Unrestricted funds	5,422	(2,595)	2,827
Total Funds	**5,439**	**(2,552)**	**2,887**

	As at 1 January 2020	**Increase**	**At 31 December 2020**
Temporarily restricted funds	11	6	17
Unrestricted funds	4,057	1,365	5,422
Currency translation adjustment	(520)	520	-
Total Funds	**3,548**	**1,891**	**5,439**

The Global Fund has nominated and maintains a foundation capital of CHF 50,000 by virtue of its initial registration as a non-profit foundation under the laws of Switzerland.

Index to notes to the statutory financial statements

Section 1: Activities and organization

The Global Fund is designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. Founded in 2002, it is a global partnership between governments, civil society, the private sector and people affected by the diseases. As an international organization, the Global Fund raises and invests USD 4 billion a year to support programs run by local experts in countries and communities most in need.

The Global Fund is an international financing institution recognized as an international organization, initially formed as a Swiss foundation on 22 January 2002. It was created in response to calls from the United Nations Secretary-General and General Assembly (Resolution A/RES-S26/2 adopted on 2 August 2001). Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations:

- On 13 December 2004, the Swiss Federal Council accorded the Global Fund international organization status and related privileges and immunities, through the signing of the Headquarters Agreement;
- On 13 January 2006, the United States of America issued Executive Order No. 13395, designating the Global Fund a public international organization in accordance with the United States International Organizations Immunities Act;
- On 16 December 2009, the United Nations General Assembly adopted Resolution A/RES/64/122 granting the Global Fund observer status, as an eligible intergovernmental organization whose activities cover matters of interest to the General Assembly; and
- On 17 December 2014, the European Commission adopted Commission Decision C(2014) 9598, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds.

Section 2: Basis of reporting

Basis of preparation

The statutory financial statements have been prepared in conformity with the applicable accounting and financial reporting provisions of the Swiss Code of Obligations and presented in accordance with the Global Fund's Bylaws.

Due to rounding, numbers presented throughout these financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

These statutory financial statements as at and for the year ended 31 December 2021 were approved by the Global Fund Board on 15 April 2022.

Functional and presentation currency

The statutory financial statements are presented in Swiss Francs ("CHF"), by translating the IFRS financial statements, after eliminating IFRS operations, reported in the Global Fund's functional currency (USD) at the foreign exchange rate between USD: CHF prevailing at the end of the year as specified in Note 5.4, except for the funds which are presented at the historical rate.

The differences resulting from this translation (refer to note 5.7) are recorded taking the imparity principle into consideration: the unrealized foreign exchange gains are deferred to the balance sheet whereas the unrealized foreign exchange losses are charged to the statement of income.

All financial results and financial positions have been rounded to the nearest million.

Foundation capital

The Global Fund has nominated and maintains a foundation capital of CHF 50,000 by virtue of its initial registration as a non-profit foundation under the laws of Switzerland.

Significant management judgment, estimates and assumptions

Information on significant accounting policies, judgments, estimates and assumptions that are relevant to the understanding of the statutory financial statements are provided through the notes to the financial statements. In particular, the Global Fund has applied judgment in accounting for certain transactions with respect to grants (Section 3) and contributions (Section 4).

The Global Fund is subject to risks and uncertainties that may lead to actual results differing from estimates, both positively and negatively. Specific financial risks for the Global Fund are discussed in Section 4 and Section 5.

Section 3: Grant Activities

Grant making is the core operation of the Global Fund and forms the major source of expenditure and cash outflow. The following sections describe the accounting policy and the annual financial results in in respect of major stages in the grant lifecycle.

3.1 Contingent liability

The first point of recognition for grants is at the point of the Global Fund Board approval, where the maximum liability of the grant becomes clear and is agreed with the Principal Recipient. A management or board decision does not give rise to a constructive obligation at the end of the reporting period unless the decision has been communicated before the end of the reporting period to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the entity will discharge its responsibilities.

Based on these principles and the substantive ability of the Global Fund to restrict funds there is determined to be no constructive obligation and hence no recognition of the liability in the statement of financial position. However, the Global Fund Board approval does represent a point at which a contingent liability can be reported, as it represents a potential obligation that can be reliably measured and is dependent on future events (the performance of the Principal Recipient and the availability of funding).

Following the Global Fund Board approval, all grants are governed by a written grant agreement that includes substantive conditions based on performance and availability of funding. Accordingly, an obligation only arises once all criteria have been considered and the annual funding decision is made and communicated to the Principal Recipient.

The contingent liability represents the maximum potential liability of the Global Fund for individual grants as approved by the Global Fund Board. During grant implementation, the contingent liability of a grant is reduced by the cumulative amount of grant expenses. Essentially contingent liabilities include the value of Board approvals for grants that are not yet signed and grants that have been signed but have not been subject to annual funding decision.

Contingent liability for grants as at 31 December:

	CHF millions	CHF millions
BY CATEGORY	**2021**	**2020**
Grants approved but not signed	978	751
Grants signed but not committed	7,291	7,340
Total: Contingent liability for grants to Principal Recipients	8,269	8,091
Strategic initiatives	7	-
Total	**8,276**	**8,091**

3.2 Grant expenditure

The recognition of grant liabilities is determined to be the point at which the annual funding decision is made by the Global Fund. The annual funding decision provides the Principal Recipient with a firm disbursement schedule, together with a statement that conditions have been met and that the funding is available. At this point the Global Fund has a constructive obligation to the Principal Recipient to fulfil amounts committed and the full amount of the annual commitment is recognized as a grant payable in the statement of financial position and recorded as expenditure within the statement of income.

During the year of the commitment, funds are disbursed on the basis of the annual funding decision and the level of remaining funds held by the Principal Recipient. As amounts are disbursed there will be a subsequent reduction in the level of grants payable.

Grants under recovery from Principal Recipients are recognized at the point of issuing a formal demand letter to the Principal Recipients for amounts stated in the letters as being owed by the Global Fund. The amounts determined as grants under recovery are recognized through the statement of income. Given the operational nature of these recoveries, these are reported as a reduction of grant expenditure. At each reporting period, each recoverable is reviewed for expected credit loss due to uncertainty in future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

The following table summarizes grant expenditure for the years ended 31 December:

	CHF millions **2021**	CHF millions **2020**
BY CATEGORY		
Grants for Principal Recipients	6,163	3,585
Grants under recovery	(4)	8
Strategic Initiatives	47	76
Total: Grants	**6,206**	**3,669**

3.3 Grants payable

Grants Payable within one year

As at 31 December	**2021**	**2020**
By grant source currency		
USD	3,076	1,550
EUR	460	183
Net grants payable within one year in equivalent CHF	3,289	1,570
Strategic initiatives	9	19
Net Grants Payable within one year	**3,298**	**1,589**

Grants Payable after one year

Net grants payable beyond one year in equivalent CHF	44	221
Net Grants Payable after one year	**44**	**221**
Total grants payable in equivalent CHF	**3,342**	**1,810**

Section 4: Donor activities

The Global Fund follows a three-year replenishment cycle to secure funding for its grants and administrative operations. At the time of a Replenishment Conference, donors make public announcements of their intended future contributions. These announcements are termed as pledges. Pledges do not trigger an accounting event for the Global Fund as the conversion of pledges into firm contributions will require further substantive actions to be taken.

4.1 Contribution income

The first point of revenue recognition is the signing of a formal contribution agreement with a donor. All contributions governed by a written contribution agreement that do not have any substantive conditionality bearing on future receipts are recorded as income at the date of signature of the agreement.

A contribution agreement is considered "substantially conditional" when the future encashment of contribution is subject to specified events, performance obligations and actions beyond the control of the Global Fund. Such contributions, or a part thereof, are recognized as income upon receipt of cash or cash equivalents.

The following table summarizes the sources of revenue recognized for the year:

For the years ended 31 December	CHF millions **2021**	CHF millions **2020**
DONOR CONTRIBUTIONS		
By donor category		
Governments	3,541	5,489
Others	50	462
Total	**3,591**	**5,951**

4.2 Contributions receivable

Contributions receivable are agreements signed where income has been recognised but the cash has not been received. Contribution receivables are stated at nominal value net of a provision for uncollectible contributions to cover the risk of non-payment as described below under the section for provision for uncollectible contributions.

Promissory notes and contributions receivable maturing later than one year after the date of the statement of financial position are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method.

The following table summarizes contributions receivable at 31 December:

Contributions receivable

	CHF millions	CHF millions
As at 31 December	**2021**	**2020**
Receivable in 2021		1,773
Receivable in 2022	1,561	1,460
Receivable in 2023 or after	717	661
Gross contributions receivable	2,278	3,894
Discounted	(57)	(31)
Net present value of contributions receivable	**2,221**	**3,863**

The impact towards discounting of long-term contribution receivable is disclosed separately in the statement of income for the reporting period.

4.3 Conditional contribution

The Global Fund entered into several contribution agreements that are subject to performance obligations to be measured and reported over the period of the agreement.

Given the uncertainty associated with the future encashments in respect of such donor agreements, CHF 309 million (2020: CHF 338 million) will be recognized as revenue in the financial year in which such conditions are satisfactorily fulfilled.

Section 5: Management of funds

The Global Fund is a financing institution and hence the management of its financial assets and liabilities is integral to the successful mission of the organization. In addition to its long-standing relationship with the World Bank, the Global Fund has built relationships with private sector banks to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in commercial banks as well as funds held in the Trust Fund at the World Bank. The financial statements of the Trust Fund are not consolidated and the funds held in the Trust Fund are classified as cash equivalents in the financial statements.

As at 31 December	CHF millions **2021**	CHF millions **2020**
Amounts held in commercial banks	199	47

Amounts are held in commercial banks that have a long-term credit rating of *A or higher.*

5.2 Trust fund

Most financial contributions are received directly and held in a trust fund ("Trust Fund") which is administered by the World Bank as trustee ("Trustee"). Assets held in trust by the World Bank are held in a pooled cash and investments portfolio, hereinafter called the "Pool", established by the Trustee for all trust funds administered by the World Bank Group.

The cash is invested by the World Bank in accordance with the investment framework of the Global Fund as approved by the Finance and Operational Performance Committee of the Board (GF/FOPC11/DP01). The objectives of the investment portfolio strategy are to maintain adequate liquidity to meet foreseeable cash flow needs, preserve and optimize investment returns. The movement in fair value of funds held in trust is recognized in the Statement of Income.

All disbursements out of the Trust Fund are authorized by the Global Fund. In accordance with the terms of the Trust Fund Agreement, as amended from time to time, between the Global Fund and the World Bank, the Global Fund is the beneficial owner of the funds, assets and receipts that constitute the Trust Fund. The agreement may be terminated at any time by either party on a 90-day written notice with all funds, assets and receipts reverting to the Global Fund upon termination.

The funds held in the Trust Fund qualify as a single asset and as such are presented separately in the statement of financial position but form an integral part of the operational cash management.

5.3 Provident Fund Investments

The Provident Fund is established as a segregated fund within the Global Fund with an autonomous governance structure. The Provident Fund does not have separate legal personality from the Global Fund and is governed by a Management Board comprising Global Fund and employee representatives. The assets of the Global Fund Provident Fund (the "Provident Fund") are invested in accordance with the Investment Strategy approved by the Audit and Finance Committee of the Global Fund Board and the principles and responsibilities established in the Constitutional Declaration and Benefits Rules and under article 6 of the Provident Fund Management Board Charter. The Provident Fund assets are managed by institutional fund managers in diversified global equity, bond and real estate funds. Both funds are regulated, open-ended investment funds.

The Provident Fund investments include assets with a stock exchange price or another observable market price in an active market and as such may be valued at that price as of the date of statement of financial position, even if the price exceeds the nominal value or the acquisition value.

The following table summarizes the nature of Provident Fund Investments:

Nature of investment	CHF millions 2021	CHF millions 2020
Equity	48	37
Fixed income	124	117
Money market	-	3
Real estate funds	46	31
Total	**218**	**188**

5.4 Foreign exchange exposures

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions which creates an exposure to foreign exchange risk for these particular assets or liabilities. At the end of each reporting period, monetary items such as contributions receivable in currencies other than USD and grants payable denominated in EUR are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

The exchange rates for foreign currency with significant exposure were as follows:

	2021	2020	% Fluctuation
Key foreign currencies			
AUD	0.7257	0.7706	(6)
EUR	1.1313	1.2299	(8)
CAD	0.7856	0.7845	0
CHF	1.0937	1.1348	(4)
GBP	1.3503	1.3644	(1)

[Source: The Global Fund uses Thompson Reuters FX rates subscription]

5.5 Foreign exchange risk management

The Global Fund has implemented a strategy to mitigate the foreign exchange fluctuation risks as follows:

- Maximize the natural hedge of currency holdings by matching assets and liabilities by currency; and
- Monitor volatility and exposure by currency and engage in active hedging with levels of 50% to 100% through approved financial instruments

A majority of the contribution receipts to the Trust Fund are denominated and predominantly held in USD. However, a portion of funds are held in EUR to maintain a natural hedge for grant and other liabilities denominated in EUR. In addition, cash in EUR and CHF are held at a commercial bank to cover the operating expenses of the following year. Other currency balances are maintained for short time intervals in line with the cash management policy.

During the year the Global Fund used derivative financial instruments, notably forwards and swaps, to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. The forward foreign exchange contracts are used by the Global Fund to mitigate foreign exchange risk and are recognized at fair value with subsequent movements in value reported through the Statement of Income.

BY SETTLEMENT DATE

	CHF millions	CHF millions
As at 31 December	**2021**	**2020**
Assets		
Within 12 months	54	28
Liabilities		
Within 12 months	(5)	(225)
Total	**48**	**(197)**

The following table presents the notional value and the fair value of derivative financial instruments by currency as at 31 December 2021:

Currency	**Notional value in millions**	**Forward contracts at fair value in CHF millions**
AUD	107	2
CAD	533	12
CHF	-222	- 1
DKK	108	1
EUR	-162	18
GBP	394	11
NOK	689	1
SEK	807	5
Total		**48**

The following table presents the notional value and the fair value of derivative financial instruments by currency as at 31 December 2020:

Currency	**Notional value in millions**	**Forward contracts at fair value in CHF millions**
AUD	187	(8)
CAD	695	(29)
CHF	-303	14
DKK	233	(2)
EUR	1,079	(86)
GBP	777	(54)
NOK	1,455	(18)
SEK	1,758	(14)
Total		**(197)**

5.6 Foreign exchange accounting

Realized gains or losses and unrealized losses on exchange differences are reported in the statement of income as follows:

	CHF millions	CHF millions
For the years ended 31 December	**2021**	**2020**
BY NET POSITION		
Net foreign exchange (loss)/ gain on assets	(19)	21
Net foreign exchange gain/ (loss) on liabilities	44	(17)
Total: Net foreign exchange gain	**25**	**4**

5.7 Foreign exchange translation

The foreign exchange translation represents foreign exchange differences resulting from the translation of accounts from functional currency to presentation currency. In 2020 the Currency Translation Adjustment previously recorded within the funds was reclassified to the income statement and adjusted in 2021.

5.8 Financial income, net

The investment of financial assets across the Trust Fund and the Provident Fund provides an investment return in line with the risks highlighted previously. The investment returns, net of financial costs, are summarized in the table below:

	CHF millions	CHF millions
	2021	**2020**
Trust Fund gains, net	70	101
Trustee fees	(2)	(2)
Total	**68**	**99**

5.9 Discounting on long-term financial positions

By financial position	CHF millions 2021	CHF millions 2020
Contributions receivable	(26)	65
Total	**(26)**	**65**

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure in order to carry out the core grant financing activities. The Global Fund Board approves an annual budget for operating expenses. All expenses are monitored and reported on a periodic basis to the Board through its Audit and Finance Committee.

The following table summarizes the Secretariat's other operating costs under the main categories of expenditure:

For the years ended 31 December	CHF millions 2021	CHF millions 2020
External assurance	48	42
Professional fees	33	43
Others	38	46
Total Secretariat costs	**119**	**121**
Provident Fund valuation	(10)	(4)
Total	**109**	**117**

6.2 Leases

Tangible and Intangible assets

The Global Fund moved its headquarters to the Global Health Campus in March 2018. The Global Fund is the primary lessee for the right-to use the GHC. Accordingly, the head lease has been fully recognized as a Right-of-Use asset in the Global Fund statement of financial position.

All ancillary costs regarding office maintenance and amenities are regarded as non-lease components and as such are recognized as expense in the period in which these ancillary costs are incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to earlier of the end of the useful life of the right-of-use asset or end of the lease term which is 10 years.

Asset category	Net assets at 01 Jan 2021	Additions	Depreciation	Net asset value at 31 Dec 2021
Leased assets				
Head lease: ROU-GHC	48	-	(7)	41
Tangible assets	4	-	(1)	3
Intangible assets	4	-	(2)	2
Total	**56**	**-**	**(10)**	**46**

Asset category	Net assets at 01 Jan 2020	Additions	Depreciation	Net asset value at 31 Dec 2020
Leased assets				
Head lease: ROU-GHC	58	-	(10)	48
Tangible assets	8	-	(4)	4
Intangible assets	7	-	(3)	4
Total	**73**	**-**	**(17)**	**56**

6.3 Employee benefits

The Global Fund maintains a Provident Fund for the purposes of providing retirement, death and disability benefits to its employees and their qualifying dependents and beneficiaries. The Provident Fund is a segregated fund with an autonomous governance structure but does not have separate legal personality. Consequently, the assets in the Provident Fund are disclosed within non-current assets in the statement of financial position.

The assets of the Provident Fund are received, invested and disbursed wholly and exclusively for the purposes of the Provident Fund and in accordance with the investment strategy established by the Provident Fund Management Board with the approval of the Audit and Finance Committee.

	CHF millions	CHF millions
Change in benefit obligation	**2021**	**2020**
Benefit obligation at beginning of year	202	173
Previous year adjustments	10	9
Contributions during the year	34	29
Exit benefits paid	(16)	(7)
Premiums and expenses paid	(2)	(2)
Benefit obligation at end of year	**228**	**202**

Section 7: Other disclosures

7.1 Taxation

The Global Fund has received tax exemptions from Switzerland and the US as an international organization with privileges and immunities.

Staff costs includes CHF 21 million towards notional internal taxation for staff personal taxation (2020: CHF 19.5 million). No Swiss Tax is paid by The Global Fund, nor by the employee on Global Fund employment income.

7.2 Unrestricted and temporarily restricted funds

All contributions received where the use is limited by statutory restrictions, donor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

7.3 Full-time equivalent

The average number of full-time equivalent employees for 2021 and 2020 exceeded 250.

Annex 3 – Relevant Past Board and Committee Decisions

Relevant past Decision Point	Summary and Impact
GF/B41/DP08: Appointment of the External Auditor (May 2019)[2]	Based on the recommendation of the Audit and Finance Committee, as set forth in GF/AFC09/DP03, the Board authorized the reappointment of KPMG SA as the Global Fund's independent external auditor for a second term of three years beginning with the 2019 financial year.
GF/AFC09/DP03: Appointment of the External Auditor (March 2019)	Based on the performance assessment presented by the Secretariat, the Audit and Finance Committee recommended the reappointment of KPMG SA as the Global Fund's independent external auditor for a second term of three years beginning with the 2019 financial year.
GF/B34/EDP18: Appointment of the External Auditor (April 2016)[3]	Based on the Audit and Ethics Committee recommendation, the Board authorized the appointment of KPMG SA as the Global Fund's external auditor for an initial three-year term beginning with the 2016 fiscal year.
GF/AEC14/DP04: Appointment of the External Auditor (March 2016)	The Audit and Ethics Committee recommended to the Board the appointment of KPMG SA as the Global Fund's external auditor for an initial three-year term beginning with the 2016 fiscal year

[2] https://www.theglobalfund.org/board-decisions/b41-dp08/
[3] https://www.theglobalfund.org/board-decisions/b34-edp18/