



Independent observer
of the Global Fund

THE PARIS MEETING AND BEYOND

On July 16, France and the United States co-hosted a long-heralded “International Meeting to Support the Global Fund” in Paris. When this event was originally planned, it was hoped by some that it would lead to many announcements of new donations to the Fund. But while there were many statements of support from world leaders, the only new donations announced at the meeting were a \$10 m. pledge from China and a €250,000 pledge from Greece.

Furthermore, little visible movement regarding funding has taken place during the two months since. In fact, total pledges as reported by the Fund have actually decreased (because of exchange rate fluctuations) from \$4,742 m. on 4 July to \$4,616 m. on 26 September.

This temporary stall can be attributed partly to the fact that several important pledges were announced at the G8 summit, not long before the Paris meeting, and also to the European tradition of long summer vacations. But pro-Fund advocates complain that the Fund still has not developed a clear and viable strategy for coping with its enormous funding needs.

The Paris meeting was attended by some 250 invited guests – ministers and senior officials from donor governments, parliamentarians, corporate CEOs, leaders of foundations and NGOs, grant recipients, Global Fund board members, and more.

Executive Director Richard Feachem provided the financial context when he said “An additional \$3 billion before the end of 2004 is essential to fully fund Round 3 in 2003 and Rounds 4 and 5 in 2004.” (At the time of the meeting, only \$400 m. was available for Round 3, as against the \$700-1,000 m. that was projected as being needed. And only \$700 m. had been pledged for 2004, as against the \$2,400 m. that was projected as being needed.) Feachem echoed the call of President Chirac for \$1 billion to come in 2004 from the US and \$1 billion to come from Europe, adding that the third \$1 billion should come from all

others – particularly Australia, Canada, Japan, the oil-rich states, and the private sector.

“I believe in the Global Fund,” said Nelson Mandela. “I believe that it has shown great progress, and that we must, in turn, commit more support to its success and future.”

“Turning the tide of AIDS, TB and malaria is a priority second to none,” said Kofi Annan, Secretary General of the UN. “The Fund is there to fill a specific and substantial [funding] gap.”

European Commission President Romano Prodi committed personally to fight for a one billion dollar contribution from Europe for 2004. “I am the guarantor for the one billion,” President Prodi said. “We [in the European Union] may sometimes work slowly, but we can be trusted to reach our goals in the long run.”

French President Jacques Chirac reaffirmed his call for Europe to contribute one billion dollars, while calling for the United States to also allocate one billion dollars each year to the Fund. “The Global Fund is an outstanding instrument,” President Chirac said. “It was set up in record time. It is already operating on the ground, saving lives.”

Richard Burzynski, an NGO leader, chastised donors for lacking commitment. “The Fund is no longer a new experiment. It’s up; it’s running. And it now needs to be based on a financing mechanism that is solid, predictable, reliable, and equitable.” (See “Speech: it’s Time for Commitment,” below.)

Closing the meeting, Chairman Tommy Thompson said “What we do at these meetings will only matter if we follow up on our bold words. Working together, we can get this job done – we can accomplish the \$3 billion next year and the additional \$400 million this year to fully fund these applications.”

Since the meeting, there has been much discussion in WashingtonDC about how much the US will contribute to the Fund in 2004. President Bush has only called for \$200 m., down from \$323 m. in 2003. Some members of Congress are calling for considerably more to be given. But a severe constraint is contained in US legislation that specifies that the cumulative amount given by the US to the Fund must never exceed 33% of the total given by all.

The US has always been a significant contributor to the Global Fund. However, US leaders sometimes exaggerate the significance of US donations. For instance, US Senate Majority Leader Bill Frist, interviewed on TV on 24 July 2003, said, “We right now have committed half the funds to [the] Global Fund... If the United States takes sole responsibility, it is doomed to fail... Today 50 percent, half of this global fund of all 144 nations in the world — one nation — the United States, has committed half... We had 50 percent of all commitments. We need other people to step up.”

The reality is that as of 4 July 2003 the US had contributed 41% of all cash received by the Fund (compared with 42% from Europe), and the US had pledged 34% of all payments to be made to the Fund from its inception through 2008 (as against 56% from Europe). The US has 33% of the world’s GDP and Europe has 27%. (For details, see Issue 11 of GFO at www.aidspace.org/gfo/archives/newsletter.)

If all current pledges for 2003 and 2004 are honored but there are no new pledges, a 2004 US contribution of \$200 m. would cause its cumulative donation as of the end of 2004 to be 32% of all donations. Therefore, for each further dollar to be given in 2004 by the US beyond \$200 m., two further dollars must be given by other donors.

If, as President Chirac and others have proposed, the US, Europe, and all others each increase their total 2004 pledge to \$1 billion, the results will be as follows:

Table 1: Needed Pledges

| | Current 2002-4 pledges | Of which, 2004 | Needed extra in 2004 | Resulting 2004 | Resulting 2002-4 |
|-------|---------------------------|----------------|----------------------|-------------------|---------------------|
| EU | \$1,296 m. | \$385 m. | \$615 m. | \$1,000 m. | \$1,911 m. (39%) |
| USA | \$823 m. | \$200 m. | \$800 m. | \$1,000 m. | \$1,623 m. (33%) |
| Other | \$458 m. | \$75 m. | \$925 m. | \$1,000 m. | \$1,383 m. (28%) |
| Total | \$2,577 m. | \$661 m. | \$2,339 m. | \$3,000 m. | \$4,916 m. (100%) |

One issue of concern that was referred to several times at the Paris meeting is whether there will be enough money to fund Round 3. The board's policy provides an upper limit to the value of proposals that it can approve in Round 3 (or any other Round). The total cost of the first two years of Round 3 grants must not exceed the uncommitted cash which the Fund is expected to have by the end of this year – about \$400 million. Estimates as of early July, before the TRP met, were that the likely two-year cost of TRP-recommended grants for Round 3 would be \$700-1,000 m. (The two-year cost of all proposals submitted in Round 3 was about \$2,000 m., though some of these were rejected as ineligible.) In Rounds 1 and 2, unlike in Round 3, there was sufficient money to fund the first two years of all the TRP-recommended grants.

Two factors may reduce or eliminate the cash-shortage problem. First, it might turn out that the cost of the TRP-recommended grants is less than was projected in early July. Second, the board might modify its policy, and decide that it can allocate towards these grants not just the \$400 m. it expects to have available by the end of this year, but also some of the \$660 m. which has already been pledged for next year.

Another pressing question is how many Rounds there will be next year. The Fund has said on many occasions that there will be two rounds per year, as was the case this year. This means that Rounds 4 and 5 will occur during 2004. However, in a recent posting at its web site asking for new TRP members (see "Short Items", below), the Fund says that the TRP will meet "every 8 to 12 months," and that the next meeting will be in early May 2004. Given that the TRP holds one meeting for each Round, this evidence suggests that grant applicants may be asked to submit Round 4 proposals in about March 2004, with Round 5 not taking place until 2005. The board will presumably make a decision on this matter at its October meeting.

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