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of the Global Fund

BOARD CANCELS ROUND 11 AND INTRODUCES TOUGH NEW RULES FOR GRANT RENEWALS

The Global Fund Board has cancelled Round 11 in light of the Global Fund's financial difficulties. This difficult decision was made at a stressful two-day Board meeting in Accra, Ghana, that ended yesterday evening, 22 November.

The original decision to launch Round 11 in August 2011 was made at a Board meeting in December 2010. At its meeting in May 2011, the Board did not make any changes to its plans for Round 11, having been told by the Secretariat that sufficient funding (an estimated \$1.6 billion) would be available for that round. But the estimate of funds available for Round 11 declined to \$0.8 billion in September 2011, and then to a negative amount this month. The decline was caused primarily by some donors changing their minds regarding their so-called pledges, and other donors saying that they would delay payment of their pledges.

The Global Fund has long had a policy that the financing of Phase 2 renewals of existing grants has a higher priority than the financing of new grants. As a result, the Board concluded that almost all of the \$8.2 billion in revenues that is now projected to arrive by the end of 2013 will be needed for renewals, leaving no money for Round 11.

The next replenishment period will be 2014-2016. Given that there is no money for Round 11, the next opportunity for countries to apply for new grants will be during the 2014-2016 period. They will be able to do so using a new funding model that is called for in the Fund's new Strategy 2012-2016, also approved at this Board meeting.

Some countries have existing grants that will reach the end of Phase 2 well before 2014. Many of those

countries have been hoping to be approved for Round 11 grants. Because that will not be possible now, the Board has agreed to put in place a Transitional Funding Mechanism that will provide for continuation of essential prevention, treatment and/or care services by current grantees. Details of this mechanism will likely be announced in the coming weeks.

However, even with the cancellation of Round 11, the Global Fund did not have enough money to pay for the Transitional Funding Mechanism, and for some Round 10 grants, unless further savings could be found. (The Fund stopped signing Round 10 grant agreements about a week ago because of its financial problems.)

The Board decided to find some of the required savings in the following ways:

- The one-year Grace Period provision for changes in country income classification will be rescinded. (See [explanation](#) in GFO 80.)
- The “counterpart financing” and “focus of proposal” requirements that already apply to new grants will also apply to Phase 2 renewals. (See [description](#) in GFO 146.)
- Instead of Phase 2 financial commitments being made in two tranches (i.e., the first two years, and then the third year), they will be made one year at a time (“1+1+1”).

But even more money had to be freed up. The Board discussed two options for this. One was to say that all eligibility rules that apply to new proposals would also apply to Phase 2 renewals. The other was to say that countries are not eligible for Phase 2 renewal of their current grants if they are Group of 20 (G-20) upper-middle-income countries “with less than an extreme disease burden.” Following a difficult discussion, the Board chose the second option. This means, for example, that Argentina, Brazil, China, Mexico and Russian Federation will not be eligible for Phase 2 renewal. (South Africa is a G-20 country, but it has an “extreme” disease burden, so it will be allowed through.)

China is, by far, the country that will suffer most from this decision, because China had been expecting to be eligible for some \$880 million in grant renewals.

Now that the above measures have been agreed, the Fund will temporarily be able to resume signing Round 10 grant agreements. However, because the signing of new grant agreements can only be done when the required funds have been received by the Global Fund from its donors, and because Phase 2 renewals take priority over new grants, it is always possible that the signing of Round 10 agreements will be put on hold again. It all depends on whether donors deliver their 2011 pledges during 2011, and whether at least some of them deliver their 2012 pledges earlier rather than later in 2012.

The Global Fund Board’s decisions concerning Round 11 are contained in the decisions point document for the Accra meeting, which is due to be posted at www.theglobalfund.org/en/board/meetings/twentyfifth.

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