



Independent observer
of the Global Fund

WHY THE GLOBAL FUND CANCELLED ROUND 11

At its meeting in December 2010, the Global Fund Board approved the launching of Round 11. At its meeting in May 2011, the Board discussed but did not change this decision. Therefore, in August 2011, Round 11 was launched, and many CCMs devoted enormous amounts of work to preparing their proposals. Then last month, in November 2011, the Board cancelled Round 11.

Why was Round 11 launched and then cancelled? And what does the decision to cancel Round 11 tell us about the Global Fund's financial condition?

In a nutshell, the answer is...

Unlike what some news reports have suggested, the Global Fund has billions of dollars in the bank, with billions more expected to arrive during the next two years. The problem is that most of that money is needed for the current and renewal phases of existing grants. In addition, the Fund has introduced a more cautious methodology for estimating how much funding it will receive in future. Primarily because of these two factors, the Global Fund now estimates that until 2014, it will have almost no money for new grants. Hence, the need to cancel Round 11. It is not accurate to say that Round 11 was cancelled because of decisions by donors since May to cancel, reduce or delay their pledges, because that is not happening.

In somewhat more detail, the answer is....

As Simon Bland, Global Fund Chair, [said](#) recently, the Global Fund disbursed \$8 billion during the three-year period 2008-2010, and the Fund forecasts that it will have enough money to be able to disburse \$10 billion during 2011-2013. This is a 25% increase from one period to the next.

Unfortunately, however, the \$10 billion that the Global Fund expects to be able to disburse in 2011-2013

is about \$1 billion less than the Fund had forecast in May 2011. Almost all of the \$10 billion will be needed to fund existing grants and the renewals of existing grants. Grants are normally approved for a two-year Phase 1 followed by a three-year Phase 2. The Global Fund's policies require that priority be given to Phase 2 renewals of existing grants, over the funding of new grants.

In May 2011, when the Global Fund was forecasting that it would be able to disburse about \$11 billion in 2011-2013, the Fund estimated that \$1.55 billion of that would be available for Round 11 grants. By the time of the Board meeting in November, that estimate went down to minus \$0.6 billion. That meant that not only was there no money for Round 11, but also the Global Fund was short of money to pay for grant renewals and probably also for some unsigned Round 10 grants.

The decisions that were made during the Board meeting – decisions that achieved savings by reducing the amount of money required for future grant renewals – increased the estimate of available money from minus \$0.6 billion to plus \$0.6 billion. However, this amount was not deemed to be enough to permit the launching of Round 11 before 2014. Rather, the money has to be used primarily for funding those Round 10 grants for which grant agreements have not yet been signed, and for funding transitional arrangements (i.e., essential services) for grants that will end soon.

Thus, new grants now cannot be approved until 2014, though the Fund may decide to invite applicants to start preparing proposals during 2013.

In the last few years, the Global Fund has had some serious problems with certain donors, particularly the following:

- Italy has not yet pledged any money for 2011-2013, and has not delivered any of the \$347 million it pledged for 2009-2010.
- Spain has not yet pledged any money for 2011-2013, and has not delivered \$116 million of the \$250 million it pledged for 2010.
- Ireland has not yet pledged any money for 2011-2013, and has not delivered \$35 million of the \$46 million it pledged for 2010.
- Netherlands has not paid \$37 million of the \$119 million it pledged for 2010.

However, those problems were all known when the Board agreed in May 2011 to launch Round 11. They are not new. The main factors that last month caused the Global Fund to reduce its revenue projections from the May 2011 levels, and therefore to cancel Round 11, were as follows:

- Many donors make their pledges in Euros and other non-dollar currencies. Between May and November, those currencies, on average, weakened against the dollar, so the anticipated dollar value of those pledges decreased by about \$100 million.
- Some of the \$4.0 billion that the U.S. announced last year for 2011-2013 will not be received until 2014, because U.S. legislation specifies that not all of each year's money can be handed over until the U.S. government can certify to Congress that a number of conditions have been met.
- There has been a reduction in estimated interest earnings from the Fund's money in the bank.
- Most significant by far: The Global Fund has developed a new and more cautious forecasting methodology regarding future income from donors. (The Global Fund refers to this as producing "risk-adjusted" forecasts.) The new methodology was introduced because the negative economic situation and the challenging political environment create uncertainties that are difficult to reflect in a multi-year forecast. In its new risk-adjusted forecasts, the Global Fund no longer automatically assumes that all countries will give the exact amount they pledged or that the funds will arrive equally distributed across the years to which the pledge applied. For example, the amount announced by the U.S. for the fiscal years 2011-2013 (\$4.0 billion) is subject to Congressional approval each year. The Global Fund hopes – but cannot be certain – that the U.S. Congress will

approve the full amount each year.

It is important to point out that only one country has formally cancelled or reduced the pledge that it originally made for 2011-2013. This is Denmark, which reduced its pledge by approximately \$10 million; this represents well under one percent of what would have been needed for Round 11.

At the Accra Board meeting, the Executive Director said that the problems which then led the Board to cancel Round 11 represented a “perfect storm” of factors. Some participants privately blamed the Secretariat for not taking the possibility of those factors into consideration when it launched Round 11. Others blamed the Board for accepting the Secretariat’s May projections.

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