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GATES FOUNDATION INCREASES ITS INVESTMENT IN THE GLOBAL FUND

Contribution takes the form of a promissory note

Will help the Fund avoid delays in grant signings

On 26 January 2011, the Bill and Melinda Gates Foundation announced a \$750 million contribution to the Global Fund. This represents the Gates Foundation's commitment to the Global Fund for the period 2011-2016. This "replaces" the Foundation's previous commitment which was for \$100 million a year for the five-year period 2011-2015. The latest commitment is larger; but, more importantly, it comes in the form of a promissory note, which means that the full sum could be available immediately should the Global Fund require it.

A promissory note is a legally binding agreement for future payment. The promissory note from the Gates Foundation should help the Global Fund avoid situations where it has to delay signing new grants or approving grant renewals because it does not have enough money on hand. By its own rules, the Global Fund must have enough cash in the bank to cover all signed grants, regardless of when the money is expected to be disbursed. A promissory note counts as cash in the bank, so a promissory note immediately increases the amount of funds available for grants.

In practice, the Global Fund is unlikely to draw on the \$750 million very quickly; instead, it will use the \$750 million like an escrow account – meaning that the Fund will be able to commit funds (e.g., sign grants) using the \$750 million as collateral, but without actually spending the money.

In announcing the contribution at the World Economic Forum in Davos, Switzerland, Bill Gates said, “These are tough economic times, but that is no excuse for cutting aid to the world’s poorest. The Global Fund is one of the most effective ways we invest our money every year.”

In his 2012 Annual Letter, Bill Gates said that the Global Fund “does a lot to make sure its money is spent efficiently. Given the places where the Global Fund works, it is not surprising that some of the money was diverted for corrupt purposes. However,” Gates said, “the Global Fund found these problems itself and changed the way it handled training grants, where most of the problems were.”

“Unfortunately,” Gates said, “news of any corruption makes many citizens think the entire program is mismanaged and a huge portion of the money is being wasted.” Referring to headlines that talked about two-thirds of specific grants being misdirected, Gates said that “in fact, less than 5 percent of Global Fund money was misused, and with the new procedures in place that percentage will be even lower. Our foundation is the biggest non-government supporter of the Global Fund because of the incredible impact its spending has.”

Gates said that he was confident that the contribution to the Global Fund is one of the most effective ways the Gates Foundation invests its money every year. He urged other funders “to join us in getting so much bang for our buck.”

“Citizens of donor countries should know about the difference their generosity has made,” Gates said. Referring to the fact that the cost of keeping a patient on AIDS drugs has been coming down, and will likely reach \$300 per patient per year, Gates said “this will mean that every \$300 that governments invest in the Global Fund will put another person on treatment for a year. Every \$300 that’s not forthcoming will represent a person taken off treatment. That’s a very clear choice. I believe that if people understood the choice, they would ask their government to save more lives.”

The \$750 million contribution brings to \$1.4 billion the Gates Foundation’s total investment in the Global Fund to date.

Information for this article was taken from a Global Fund [press release](#), and from the [Bill Gates 2012 Annual Letter](#).

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