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## Global Fund Examines its Long Term Future

The Global Fund Secretariat has conducted a study projecting how many grants it will have under management each year, and how much money it will spend, if recent grant-approval patterns continue in effect for years to come. The study, entitled “The Global Fund’s Grant Making: Future Projections” was recently sent to members of Global Fund board delegations, with no restrictions as to further dissemination.

The study shows that the continuation of current Fund practices and assumptions could lead to three significant outcomes. First, the Fund will level out at a much lower “cruising altitude” than was originally anticipated by many. Second, the Fund will need considerably more staff than the board has thus far been willing for it to recruit. Third, the Fund will end up sitting on a multi-billion dollar “mountain” of cash that is earmarked but not needed for up to three years.

The assumptions made in the study are as follows:

- The Global Fund will launch three rounds of proposals every two years. (This is the pattern that has been followed thus far. There are three board meetings per year, and the Fund has always approved a new round of grants every second board meeting.)
- In each new round, 100 new grants will be approved, of which 85 will later be renewed for phase 2. (The number of new grants approved in Rounds 2 and 3 were 98 and 71, respectively. The number recommended by the TRP for Round 4 is not known.)

- The cost of the first two years of the 100 new grants approved in each new round will be \$1 billion. (The amount that the Technical Review Panel has recommended to the board for approval late this month for Round 4 is \$964 million.)
- After five years, each grant will be regarded as complete. (But, of course, a proposal can always be submitted for a new grant to continue where the old one left off.)
- The board will continue to require that a grant agreement cannot be signed for the first two years or for a subsequent three years unless the Fund already has money (or promissory notes) in the bank sufficient to cover the costs involved.

These assumptions lead to the following outcomes:

- Annual expenditure will level out by 2008 at about \$2.8 billion, considerably less than what Richard Feachem, Executive Director of the Fund, describes in a cover note he sent to the board with the study as “our shared vision” of the Fund.
- Annual grant signings (for new grants, and for Phase 2 renewals) will grow from 125 in 2003 to 280 by 2008.
- Annual approvals for quarterly, semi-annual or annual disbursements of partial payments on grants will grow from 500 in 2004 to around 1,500 by 2008. (As discussed above in “Commentary: Pointed Lessons from a Regrettable Row”, dealing with just one of these disbursements can involve a significant amount of work for Secretariat and LFA staff.)
- Total grants under management will grow from about 160 at present to about 700 by 2008.
- The above three findings have major implications for staff workload. (Dr. Feachem’s cover note observes that the Fund “need[s] to explore how we might rationalize and re-model our portfolio management to reduce significantly the workload while enhancing speed, service and delivery at country level,” but he provides no suggestions as to how these conflicting objectives should be achieved.)
- The amount of money that the Fund will hold in the form of cash or promissory notes but that it cannot do anything productive with will climb to almost \$5 billion. The study refers to this as “non-working assets.” (This money will be needed because board policy does not permit the Fund to sign a grant agreement unless the cost of the next two or three years is already in the bank in the form of cash or promissory notes. Thus, the Fund could end up in a position of saying it cannot afford any new grants while, at the same time, it has billions of dollars in the bank that will not be needed until up to three years later. This incongruous situation will not make fundraising easy. Dr. Feachem’s cover note observes that the Fund “must reflect further on whether accumulating such an ‘asset mountain’ is consistent with the sense of urgency required in fighting the three diseases.”)

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