



Independent observer
of the Global Fund

Latest Developments Regarding Global Fund Finances

Financial needs

The Global Fund projects that it will need to receive a total of \$5 billion during 2004 and 2005. This is based on two major assumptions. First, that Rounds 4, 5 and 6 will be launched and approved during these two years, and that the cost of the first two years of the grants approved in each of these Rounds will be \$1,000 million. (The first two years of Rounds 1, 2 and 3 cost \$613 m., \$884 m. and \$623 m. respectively.) Second, that money for Years 3-5 of all Round 1 and 2 grants and a few Round 3 grants will also need to be received during those years.

The breakdown of the \$5 billion needed is that \$1,560 m. will be needed in 2004 and \$3,580 million will be needed in 2005.

If the United States gives the full \$547 m. that it has conditionally approved for 2004, the Fund expects to receive at least \$1,532 m. during 2004, based on current pledges. This is only \$28 m. short of the Fund's goal for 2004, and makes it likely that there will be sufficient funding for Round 4. However, US legislation says that its \$547 m. pledge for 2004 is not a guarantee, it is a maximum donation. Specifically, the US says it will give one third of the total amount received in cash (or, possibly, promissory notes) by the Fund between 1 January and 31 July 2004, up to a maximum of \$547 m. (The US has one third of the world's GDP.) This places considerable pressure on other donors not only to increase their total pledges for the year by about \$110 m., but also to pay all their 2004 pledges by July 31.

That will be challenging enough for the Fund. But the greater challenge will be to raise the needed \$3,580 m. during 2005.

Timing of Round 5

Round 5 will, in theory, be launched some time between October 2004 and January 2005. But the financial situation puts this timing in doubt.

The Secretariat's budgetary projections are based on the assumption that one Round will be approved every second board meeting in the board's three-meetings-per-year schedule. (This means that Rounds 5 and 6 would be launched in about October 2004 and June 2005, and approved at the March 2005 and November 2005 board meetings.) And the Board has resolved to have at least one Round per year (meaning that Round 5 should be launched by January 2005, one year after the launch of Round 4).

However, the board has also resolved that paying for new grants will take second place behind paying for renewal of existing grants. Thus, Round 5 cannot take place until pledges have been received sufficient to pay for renewal of many Round 1, 2 and 3 grants, as well as for new grants from Round 5. It is believed that some countries are racing to complete a Round 4 application because if they wait until Round 5, they might have to wait longer than expected.

Non-payers

Countries that as of 24 February 2004 had not paid their pledges for 2003 are Barbados (\$100,000), Belgium (\$7.5 million), Cameroon (\$100,000), Iceland (\$216,000), Mexico (\$100,000), Nigeria (\$1 million), South Africa (\$2.9 m.), and Zimbabwe (\$842,000).

New pledges

The Global Fund has only received \$163 million in firm new pledges during the eight months since just before the "International Meeting to Support the Global Fund" held in Paris on 16 July 2003. Those new pledges represent just 10% of the amount required during 2004, or 5% of the amount required during 2005.

This weak performance is slightly offset by the fact that currency fluctuations caused the value of existing pledges to increase by \$107 million during this period.

Beyond this, the USA has increased its existing \$200 m. pledge for 2004 by up to an additional \$347 m., but as discussed above, it will limit its 2004 payment to one third of the total money received from all sources during the first seven months of 2004. Thus, the increase cannot be regarded as a firm pledge.

During this period, the new pledges by foundations total a mere \$11,600 (barely more than the pledge from the Treatment Action Campaign in South Africa), and the pledges by corporations have actually decreased by nearly \$100,000. Foundations and corporations each have one seat on the Global Fund's board.

Table: New or increased pledges between 4 July 2003 and 24 February 2004

Australia	\$18,939,394
Barbados	\$100,000

Belgium	\$11,575,871
Brazil (Note 1)	-\$50,000
China	\$10,000,000
Denmark	\$30,429,801
Greece	\$310,945
Hungary	\$10,000
Iceland	\$215,827
Ireland	\$12,088,801
Japan	\$59,993,443
Mexico	\$100,000
Monaco	\$44,000
Norway	\$17,528,517
Poland	\$10,000
Portugal	\$1,000,000
Singapore	\$1,000,000
USA (Note 2)	-\$2,275,000
Foundations	\$11,604
Corporations (Note 3)	-\$98,152
Treatment Action Campaign	\$10,000

\$152,953

Individuals

\$163,521,156

Total:

Note 1: Brazil's \$50,000 pledge, due for payment in 2003, was not paid, and disappeared from the Fund's official listing in October 2003.

Note 2: This table does not show the recent increase in the US 2004 pledge because it does not feature in the Fund's official listing, which in turn is because the amount of the increase will depend upon donations by others. Separately, as shown, the US pledge for 2003 decreased by \$2.275 million during September 2003. This is apparently because of a correction of a misunderstanding regarding the magnitude of the pledge, not because of a change in policy.

Note 3: The \$100,000 pledge from Statoil, a Norwegian oil and gas company, due for payment in 2003, was not paid, and disappeared from the Fund's official listing in February 2004.

Australia

As mentioned above, Australia has announced its first pledge to the Global Fund. This is for US\$18.9 million, spread out over three years. The Australian Foreign Minister stated that Australia had delayed contributing to the Global Fund because it wanted to "wait and see how the Global Fund would work out." He added, "In those two years, we have been pretty impressed with the Global Fund. I think it's done an excellent job."

Relative to the sizes of their economies, every developed country in the world that has made a pledge to the Fund for 2004 has pledged more than Australia – from 1.5 times as much by each of Germany, Japan and Spain, to 11 times as much by Sweden. Oxfam and Medecins Sans Frontieres in Australia issued a statement saying that based on the size of its economy, Australia should be contributing US\$25 million for 2004 alone, rather than US\$19 million over three years.

Meeting of the Fund The Fund coalition

In early February, representatives of over fifty NGOs from around the world met in London to discuss the next stage in their shared work as the "Fund The Fund" coalition. (www.fundthefund.org.)

The meeting agreed on a mission statement that says "The Fund the Fund coalition exists to pressure donors to mobilize additional resources to fully fund the Global Fund to Fight AIDS, TB and Malaria." It also agreed that the Fund The Fund's campaign objectives are that:

1. The Global Fund should raise sufficient money to meet already agreed targets for HIV/AIDS, TB and malaria, and should do so partly through specifying minimum contributions from various donors based on economic wealth.
2. Funds contributed to the Global Fund should be additional.
3. [There is a need to] Increase the scale, number, and quality of proposals to the Global Fund with a view to increasing demand for Global Fund resources. One way for this to be done is for technical assistance to be provided to Global Fund applicants.

The meeting agreed to hold at least two meetings per year, and it established working methods to be used

between meetings.

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