



Independent observer
of the Global Fund

Holding True to Annan's Vision

Three years ago this week, the world's governments endorsed the UNGASS Declaration. This called for a vastly increased global commitment to the struggle against HIV/AIDS, and endorsed the setting up of the Global Fund as a key financing tool. Kofi Annan, Secretary General of the United Nations, said, "We have to bring about a quantum leap in the scale of resources available." Expanding on that last July, he said, "To mount an effective global response to HIV/AIDS alone, the total spending needs to rise to \$10 billion a year by 2005. The Global Fund is there to channel a significant share of that amount."

But without any explicit discussion or decision, the Fund's board appears ready to take the Fund towards a very different future – one in which it is just another funding agency, with low operating levels that are determined by donor decisions rather than recipient needs.

More specifically, unless the board gets serious about resource mobilization at its meeting next week, and also resolves at the following board meeting to change some of its ground rules, the launch of the next round of grants is likely to have to be deferred from late this year to 2007.

Christoph Benn, the Fund's Director of External Relations, confirms this. "Unless our major donors make renewed and increased commitments," he told GFO today, "it is hard to see how any new round could be financed in 2005 or 2006."

The Global Fund board meets three times a year. At every second board meeting thus far – that is, every eight months – the Fund has approved one round of grants and has set a date, two or three months later, at which the subsequent round will be launched.

If the board follows precedent, it will agree at next week's meeting to launch Round 5 in about September, approve Round 5 grants at its April 2005 board meeting, launch Round 6 in about May 2005, and approve Round 6 grants at its November 2005 board meeting.

But there is no evidence that any preparation has been carried out for a September launch of Round 5.

Moreover, launching Rounds 5 and 6 on time means that both rounds will come up for board approval during 2005. Under the board's "Comprehensive Funding Policy," those grants can only be approved in 2005 if the Fund believes that by the end of 2005 there will be sufficient money in the bank (or promissory notes received) to cover them. And based on current donor promises, that appears very unlikely, because this schedule would require the Fund to raise, during 2005, about \$1.3 billion for renewal of grants that have come to the end of their first two years, plus \$1 billion each to launch Rounds 5 and 6, for a total of \$3.3 billion.

That amount of money – \$3.3 billion in 2005 – is what the Fund's Executive Director Richard Feachem is calling for. But the amount promised thus far by donors for 2005 is under \$0.9 billion. Indeed, it looks unlikely that in 2005 the Fund will raise any more than the \$1.5 billion it is expected to raise in 2004, because no bold new commitments were made for next year at this year's G8 summit in the way they were made for 2004 by President Chirac and others at last year's summit.

And if the Fund only manages to raise \$1.5 billion in 2005, it will need virtually all that money to pay for three-year renewals of some of the grants originally approved in Rounds 1, 2 and 3 that will be coming to the end of their first two years next year. (The Fund rightly says that paying for grant renewals must take precedence over paying for new grants.) Thus, in this scenario, the Fund will have little money left for any new grants in 2005.

And the chances of launching a new round in 2006 are even more slim, because the Fund will need a further \$2.5 billion that year to pay for renewals of more Round 1-3 grants and of some Round 4 grants.

Thus, the future towards which the Fund is currently heading does not consist of approving two new rounds in 2005 and one in 2006; it consists of approving no new rounds until 2007. This will be the case even if donors contribute in future years at the \$1.5 billion per year level that they are contributing at this year.

This crisis is not just the result of insufficient donations; it is also the result of overly simplistic requirements in the Comprehensive Funding Policy that the board established last year. As that policy currently stands, if donors pledge that they will give \$X to the Fund in 2005, \$Y in 2006, and \$Z in 2007, the Fund only takes into consideration the \$X pledged for 2005 when it calculates how much it can afford to spend on Year 1 and Year 2 of new grants it approves during 2005. In other words, the Fund says that it will only approve grants in 2005 up to the dollar value it is confident it will receive by the end of 2005. Pledges for the following two years are ignored. But the actual expenditure on those grants will not start until late 2005 or early 2006, and will last for two years. In a related point, the board requires that the Fund hold in the bank, and then draw down from, the entire cost of the first two years of a grant. The Fund estimates that this cash mountain will build up in time to \$5 billion. Fundraising will be increasingly difficult if the Fund has to say to donors, "We have billions in the bank, but we desperately need more money."

The board's Resource Mobilization and Communications Committee has not risen to the challenge. During its first year or so of life it was almost totally dysfunctional – it met rarely, it went without a chair for months, it included hardly any donor members, and it developed no resource mobilization strategy. Recently, under its fourth chair, it has done somewhat better; but it has completely avoided the central challenge of identifying how much money is needed next year and recommending how to raise it.

It is time for immediate and forceful leadership by the board to shift the Fund back onto the right path.

First, the donors should honestly state at the upcoming board meeting whether they are prepared to give at the necessary levels. If they are not – if they are only prepared to finance the cost of renewing existing grants but not of launching any new rounds – they should make this clear, so that potential grant applicants, and the NGOs that until now have advocated so strongly for the Fund, can know how things stand. (Note: The latest Equitable Contributions Framework analysis spells out exactly how much each donor needs to pledge if the Fund's stated needs for 2005 are to be met. See www.aidspace.org/gfo/docs/gfo61.pdf.)

Second, board members that represent recipient countries should speak up on behalf of the untold numbers of people who are going to die if the Fund continues on its current path.

Third, Kofi Annan, who in addition to heading the United Nations is also Patron of the Global Fund, should make clear his views at next week's Global Fund board meeting, either in person or through Peter Piot or J.W. Lee, board members who head UNAIDS and WHO.

Fourth, the board should dissolve its Resource Mobilization and Communications Committee and take on for itself the crucial responsibility of assessing the gap between need and supply, and of deciding what to do about it. This must not be delegated to – and then ignored by – a subcommittee.

Fifth, the board should pass a resolution calling for donors to give at the necessary levels, and should spell out what that means for each country, and what the consequences will be if it is not done.

Sixth, a task force of external experts should be established to work intensively prior to the November board meeting. The task force should flesh out creative yet responsible ways to permit new rounds to be launched without requiring that they be backed by a multi-billion-dollar cash mountain. This will require changes to the board-mandated Comprehensive Funding Policy. In particular, donors' pledges for 2006 and 2007, not just for 2005, should be taken into account when deciding what grants to approve in 2005. The Fund should require each donor to write a promissory note confirming that on a pre-specified quarter-by-quarter basis over the years 2005-7, money will be sent from the donor to the Global Fund, arriving at the Fund only shortly before the Fund needs to send it on to grant recipients. This would not only allow the Fund to approve more grants; it would have the added advantage that the Fund will not end up sitting on a massive cash mountain, parts of which will sit idle for up to three years.

Seventh, at the November board meeting, after receiving a report from the task force of external experts, the board should modify its Comprehensive Funding Policy as needed.

Finally, at the November board meeting, having changed its Funding Policy and hopefully obtained major new pledges for 2005, the board should agree to launch a delayed but extra large round in early 2005, with grants to be approved at the July 2005 board meeting.

What the Global Fund board does next week and in November will determine whether the Fund moves toward the vision set out by Kofi Annan or, conversely, turns into a modest-sized agency preoccupied over the next two years with no more than raising money to complete grants that have already been started.

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attend the Global Fund board meeting next week with non-speaking observer status.]

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