



Independent observer
of the Global Fund

FUND PREPARES FOR FIRST REPLENISHMENT MEETING IN STOCKHOLM

Next week, in Stockholm, the Fund will hold the first of two meetings of its first “Voluntary Replenishment Mechanism.” The second meeting will take place in London in September. Further rounds of the Replenishment Mechanism are expected to be held every two or three years.

The overall objective of the two Replenishment Meetings is to persuade – and help – donors to plan their financial contributions to the Fund on a more systematic and predictable basis.

At present, donor announcements of how much they will give are made on an ad hoc basis, which makes it difficult for the Fund to plan its work, and makes it difficult for grant applicants to know how much money will be available in future years.

At next week’s meeting, donors will learn about and discuss the Fund’s work thus far and its plans for the future. Then they will communicate with each other, with domestic decision-makers, and with the Fund, prior to meeting again in September to announce their funding decisions.

When the first pledges were made to the Fund in 2002 and 2003, they represented indications of faith in what it was hoped the Fund would become. But starting with this year’s Replenishment Meetings, donors will not be satisfied with dreams and plans, they will want to see the evidence of results and impact.

This month’s meeting will be hosted by the government of Sweden; September’s meeting will be hosted by the UK government.

Sven Sandström, Vice Chair of the Replenishment Mechanism (standing in for Kofi Annan, the Chair) has

told likely participants that the main objectives of next week's meeting will be to assess the performance of the Fund, to assess the Fund's ability to handle a larger volume of funding, and to agree on a funding target for 2006 and 2007. However, the extensive outstanding needs for 2005 will certainly feature.

Last November, the board agreed to commission an independent study of "the options and choices available to the Global Fund in its fiscal management structure and processes." This will examine factors such as the Fund's current Comprehensive Funding Policy, which states that before the Fund signs any grant agreement, it must place in the bank the entire amount that implementing that agreement will cost. (This means that the Fund finds itself sitting on a multi-billion dollar "cash mountain" which, although it is all spoken for, gives the impression that the Fund has spare cash when in fact it does not.) The study is currently being carried out by PricewaterhouseCoopers, and will be completed in April. This will enable participants in the Replenishment Mechanism to study it thoroughly before the September meeting.

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