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ITALY HAS DEALT A DOUBLE BLOW TO THE GLOBAL FUND

Italy's apparent decision to cancel its 2004 pledge is extremely worrying, and will have a doubly negative impact on the Global Fund.

First, it will mean that the amount of money available for Round 5 will be \$133 million (€100 million) less than had been expected – or \$266 million less, if Italy's 2005 pledge is also canceled. This is a very sizeable setback. Last month, before the Italian decision, the Fund predicted that there would be only \$400 m. available for Round 5, whereas Round 4 cost \$1,000 m. That prediction was based on the assumption that donors will give as much in 2005 as they were expected to give in 2004, and on the knowledge that the bulk of the money given in 2005 will be needed for grant renewals, with only the surplus being available for Round 5.

But second, and possibly more significant in the long term, Italy's decision will mean that from now on, pledges can't be 100% trusted. This is a real setback for those – including GFO – who have been advocating that the Fund re-examine its Comprehensive Funding Policy (a policy which requires that the entire cost of a grant agreement be placed in the bank before the Fund signs the agreement.) Those voices have been saying that the Comprehensive Funding Policy is too conservative an approach; that instead, when grant agreements are signed, they can be paid in part using money promised for the next year or two, rather than entirely with money that has to be held in the bank from the beginning of the grant.

At its last meeting, the board appeared ready to give at least some consideration to this argument, because it agreed that a study of alternative possibilities should be conducted by a major financial service firm before the next board meeting. The Italian development will now strengthen the case of donors like Japan that oppose any softening of the Comprehensive Funding Policy. And that, in turn, could destroy the most creative option available for making a large Round 5 affordable.

The Italian about-face does not just mean that a pledge can no longer be regarded as a firm promise. It also, by direct and indirect means, enhances the possibility that the board will have to reverse its November decision to issue a call for Round 5 on 17 March. And that, in turn, would lead to very negative publicity for the Fund and, far more important, to life-threatening consequences for people living with the three diseases.

Let us hope that Italy reverses its decision.

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