

THE GLOBAL AIDS FUND: DOES IT NEED MORE MONEY? FEBRUARY 2004

Q: Why does the Global Fund need more contributions when it has only disbursed a fraction of the money it already has, and sits on a large reserve?

A: The Fund has committed all of its resources to multi-year programs and yet writes checks to these programs a little at a time. Its cash-on-hand is large but its balance sheet is zero.

The policy of the Global Fund board (chaired by U.S. Secretary of HHS, Tommy Thompson) requires two years of resources be paid-in by donors *before* any money can be committed to a country program. Once committed, fund disbursement is carefully controlled and monitored to ensure efficacy.¹ Without a change to Global Fund policies, there will always be more resources paid-in than on the ground.

Global Fund Policy #1:

Two years of funding must be paid-in to the Fund BEFORE any activity can be approved

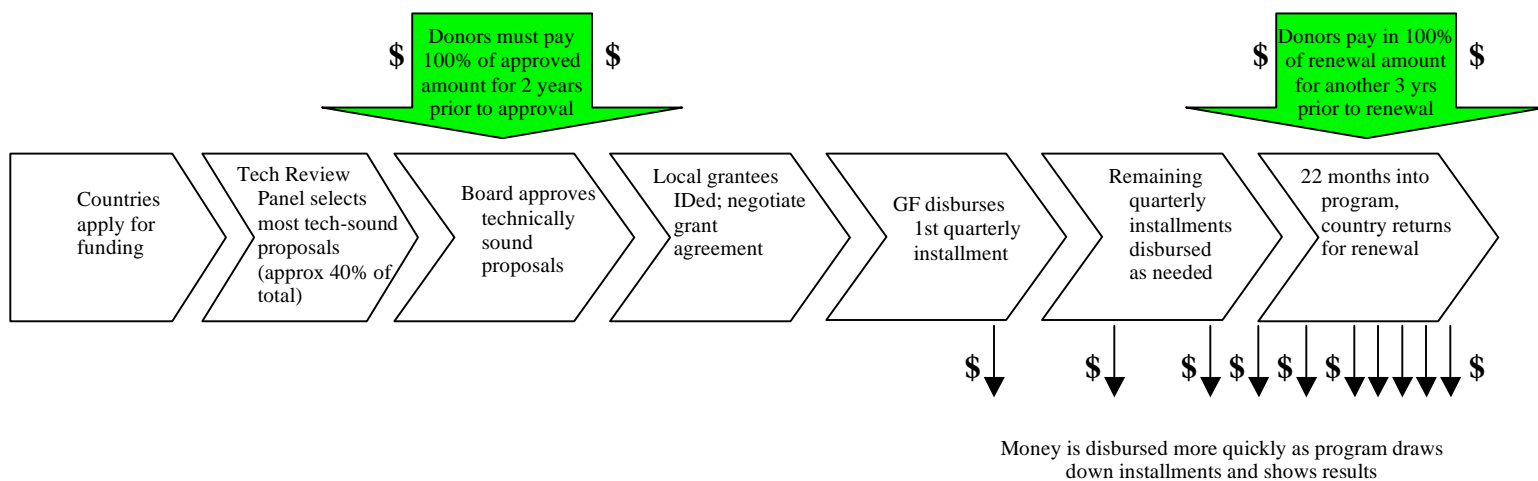
In order to approve an application, the Fund's Board's policy requires two years worth of expenditures be **paid-in – not just pledged** – to the Fund before the program can be approved. For example, programs approved in 2003 require enough resources be paid-in to the Fund to cover the costs of that program for 2003 and 2004 before beginning. Various donors have requested that the Board reconsider this policy to reduce the amount required upfront. The U.S. government supports the current 2-year rule.

Global Fund Policy #2:

Disbursements start slowly and progressively increase—giving the Global Fund ability to monitor efficacy

The Fund disbursement process maintains a high level of accountability and control (as per donor requests). Initial disbursements are particularly small, giving recipients the time to build capacity for future disbursements. Thereafter, additional funds can be requested if the recipient proves performance and implementation of previous disbursements.

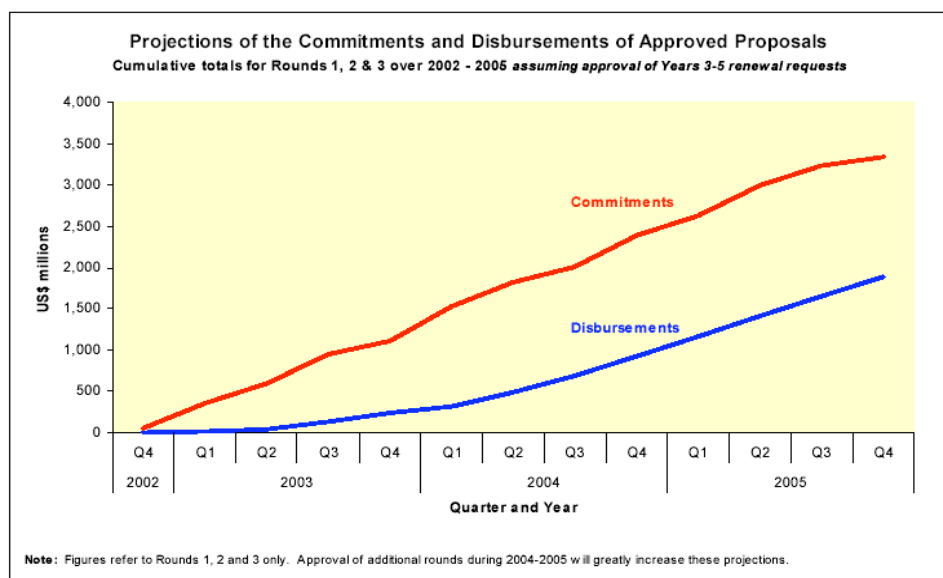
The diagram below shows the steps that take place from the time a country coordinating mechanism (CCM) applies for funding until two years of funding is fully expended. The green/shaded arrows depict required inflows of funding and the horizontal arrows with no color show the application and disbursement process. Output arrows along the bottom show controlled disbursements starting slowly and picking up in pace and volume over time.



¹ After about two years, the Fund has raised enough resources from global donors to commit \$2.1b in grants to 121 countries (\$623m from the US – 1/3 of total). Of this amount, only \$232m has actually been disbursed to programs on the ground, but all of the \$2.1b is committed for the 2-year life of the grants.

How much money will the Fund disburse?

Because of the above policies, **total disbursements at the end of the year equal ½ of total commitments made at the beginning of the year.** Using this measure, the Fund is currently working according to plan. As of January 2004, the Fund had a total of \$2.1b in commitments through three rounds of funding; therefore at the end of 2004, the Fund projects it will have disbursed half of that total, or roughly \$1 billion. (see graphic below taken from the Global Fund website)



* Includes non-US\$ amounts expressed at January 1, 2004 exchange rates. Prepared 14 January 2004. For more information, please visit www.theglobalfund.org or email info@theglobalfund.org.

What's In, What's Out, What's Needed

For 2001-03, the Fund has received \$1.9b in donations (including \$623m from the US), and has committed to fund programs worth \$2.1b (it took an unusual step of borrowing \$200m against future contributions).

For 2004, the Fund has confirmed pledges of \$1.5b (including \$550m from the U.S.), and expects to spend \$1.5b on new grants plus renewals of earlier grants and paying itself back the \$200m from last year.

For 2005, the Fund has very few pledges (including \$200m in President Bush's budget request) because most countries do not pledge this far in advance. It estimates it will need \$1.6 billion to renew grants made in Rounds 1, 2 and 3 and another \$2 billion to finance two additional rounds of new grants – a total of \$3.6 billion. If the U.S. continues to contribute one-third of this anticipated need, Congress would need to appropriate \$1.2 billion for FY2005.