

Global AIDS Alliance



Fund the Fund to Save Families and Communities¹

**Ensuring that President George W. Bush and Other G8 Leaders
Meet the Funding Needs of the Global Fund to Fight AIDS, TB, and Malaria**

May 27, 2003

"I've been asked whether or not we're committed to the Global AIDS Fund. Well, first of all, I wouldn't put Tommy as the head of it if we weren't. And more importantly, he wouldn't have joined if we weren't. And so we're still committed to the Global AIDS Fund to fight disease. This program in no way diminishes our commitment to the fund."

US President George W. Bush
31 January 2003

"People with HIV/AIDS in Africa are fed up with the international community's broken promises. They are tired of hearing about pilot projects. The time to scale-up is long overdue and this will only be possible with political action at the national and international level."

Dr. Eric Goemaere, Head of Mission
Médecins Sans Frontières (MSF), South Africa
26 August 2002

¹ David Bryden, David Gartner, and Paul Zeitz of the Global AIDS Alliance authored this report, based on background research by Aidspan, www.aidspan.org.

Introduction

In his speech calling for the creation of a global fund to fight AIDS, in April 2001, UN Secretary General Kofi Annan said that in the struggle against this disease, “we have to bring about a quantum leap in the scale of resources available.” The Secretary General clearly hoped the Fund was the key to achieving this increase, and to dramatize the point he put in \$100,000 of his own.²

AIDS experts at the time also hoped that the Global Fund would be a way to “bridge the funding gap” for the control of HIV infection and AIDS, tuberculosis, and malaria, a gap with deadly consequences for millions in developing countries. “Only through a global fund that this kind of concerted global action between major corporate and public sector players can be achieved,” noted one group of scientists.³

The UN General Assembly Special Session on HIV/AIDS (UNGASS) in June 2001 explicitly gave its support to the Fund, as a key means of achieving by 2005 “an overall target of annual expenditure on the epidemic of between US\$ 7 billion and US\$ 10 billion...for prevention, care, treatment, support and mitigation of the impact of HIV/AIDS.” AIDS advocates around the world greeted the subsequent launch of the Global Fund to Fight AIDS, TB and Malaria in January 2002 with hope and enthusiasm. Many felt that at last the international community was taking seriously the need to dramatically increase the amount of funding available for effective AIDS programs and to begin measuring the level of funding against demonstrable need.

Yet, just 16 months later, the Fund is facing a financial crisis so serious that it that could doom the Fund’s chances of bringing about the “quantum leap” which Kofi Annan so fervently desired. Member states at UNGASS pledged to reach a number of specific AIDS program goals by 2005, but due in part to the lack of sufficient resources for the Fund, these commitments may soon be judged as yet more broken promises.

At a minimum, the Fund will need to spend \$42 billion over the years 2002 to 2008, but there is little evidence donors are preparing to provide such contributions. The Fund’s financial crisis has clearly been brought on through the negligence of the Fund’s principal funders, the G7 nations, who have failed to come even close to providing their fair share. The result is that one of the most important examples of international cooperation is now at risk of failure.

Germany and Japan have been particularly poor performers at providing fair contributions toward the Fund’s needs, and should contribute \$ 381 m. and \$863 m., respectively. Other relatively wealthy governments outside the G7, including Australia, Portugal, Greece, South Korea, Belgium, and Austria, have also failed to donate enough or, in some cases, donate at all.

The US government, in addition, has compounded the crisis by engaging in a manipulative public relations exercise that masks its actual spending proposals. **Unless amended by the US Congress, the US will provide just 5% of what the Fund says it needs in 2004.** This is in sharp contrast to US support for multilateral initiatives to conquer polio and smallpox, to which it contributed a third. While the US President today will trumpet his support for a bill recommending \$3,000 m. in total global AIDS spending in FY 2004, his own spending plan envisions not reaching this level until 2006. President Bush should act quickly to ensure full funding of this and other programs that serve the poorest nations by submitting a budget amendment to the Congress.

² UN Press release April 24, 2001

³ Ruairi Brugha, Gill Walt, “A global health fund: a leap of faith?” BMJ 2001;323:152–4.

The Importance of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)

Effective bilateral support by high-income countries for programs to tackle AIDS, Tb and malaria will always be needed. But a new and potentially highly effective channel has been put in place, and this needs to be much more firmly supported than it has been thus far. That channel is the *Global Fund to Fight AIDS, Tuberculosis and Malaria* (GFATM).

The GFATM is not a UN agency. An innovative board made up of donor countries, recipient countries, and representatives of civil society, foundations and corporations controls the Fund.

As a result of its creative design, the Fund is uniquely positioned:

- to galvanize much greater contributions from the world community for the fight against AIDS, TB and malaria;
- to handle in a streamlined way the substantial amounts of money needed to finance effective programs, thereby leading to efficiencies and economies of scale;
- to be far more transparent and accountable than most bilateral aid is, thereby reducing the risk of inappropriate donor agendas, and of graft and corruption anywhere along the giving chain;
- to provide multi-year grants that make grantees willing to commence antiretroviral treatment and other programs without fear of termination of funding after a year or two;
- to bring together governments, non-governmental groups and the private sector within affected countries, and to require them to work together to develop and implement effective proposals;
- to track the outcomes achieved by funded programs, and to make the receipt of payment for the later years of programs be dependent upon evidence that the planned outcomes are being achieved and that numerous people are obtaining access to treatment and prevention.

The Resource Needs of the Global Fund

The role of the Global Fund to Fight AIDS, Tuberculosis and Malaria is to receive, evaluate, and respond to proposals generated by countries that wish to forcefully tackle the three diseases.⁴ The fact that the Global Fund operates in responsive mode makes it hard to project how much money it will need.

However, now that two rounds of proposals have been received, the Fund has some solid data to work with.⁵ The Global Fund projects in the latest version of its Financial Prospectus⁶ that it will need to receive about \$2,500 million in 2003 and \$3,800 million in 2004, for a two-year total of \$6,300 million.

⁴ This paper does fully describe the workings of the Global Fund. Many papers covering such ground are listed at www.aidspace.org/globalfund.

⁵ Round 1 grants were approved in April 2002. Round 2 grants were approved in January 2003. Details are available in documents 16-19 and 51 at www.aidspace.org/globalfund.

⁶ See www.aidspace.org/gfo/docs/gfo37.pdf

The Fund derived these figures by taking the costs for Years 1-2 of grants approved in Rounds 1 and 2 and then estimating the likely costs of the following three rounds by assuming a high growth rate from Round 2 to Round 3, a modest growth rate from Round 3 to 4, and then no growth from Round 4 to 5.⁷

Based on certain assumptions (see footnote⁸) about the costs of Years 3-5 of Round 3 and later, this leads to the following round-by-round projected costs:

Table 1: Projected Global Fund Costs, by Round

Round	Phase	Projected Cost
Round 1	Years 1-2	\$ 616 m.
	Years 3-5	\$ 997 m.
Round 2	Years 1-2	\$ 883 m.
	Years 3-5	\$1,197 m.
Round 3	Years 1-2	\$1,600 m.
	Years 3-5	\$2,160 m.*
Round 4	Years 1-2	\$1,900 m.
	Years 3-5	\$2,565 m.*
Round 5	Years 1-2	\$1,900 m.
	Years 3-5	\$2,565 m.*

(Note: All tables in this paper are summaries of much more detailed data provided in a spreadsheet at www.aidspace.org/gfo/docs/gfo55b.xls.)

The Fund is not currently projecting its costs after Round 5, but we can assume as a minimum that costs for those rounds will not be less than the costs for Round 5. If we also assume that administrative costs only grow at \$4m per year from the \$38 m. in the 2003 budget, we conclude that as a minimum, the Fund will need to spend \$42 billion over the years 2002 to 2008, as follows:

Table 2: Minimum Projected Global Fund Costs, by Year

Year	Projected Costs
2002	\$ 629 m.
2003	\$ 2,521 m.
2004	\$ 3,842 m.
2005	\$ 8,200 m.
2006	\$ 8,980 m.
2007	\$ 8,984 m.
2008	\$ 8,988 m.
TOTAL	\$42,144 m.

⁷ As discussed in the paragraph following Table 2, actual growth rates in costs between Round 3 and Round 5 could well end up being higher than the Fund is assuming here.

⁸ All the numbers in the table are from Global Fund documents except those marked with an asterisk, where an estimate is made that costs for years 3-5 will be 1.35 times costs for years 1-2, which is the ratio that the Fund anticipates for Round 2.

These are very substantial numbers. But actual numbers are likely to be still higher. If many countries decide that they want to go “to scale” – that is, to move from proof-of-concept programs that help relatively small numbers of people to large programs intended to reach a significant percentage of those at risk and of those in need of treatment – the costs will inevitably be higher than shown above.

Pledges to the Fund to Date

The pledges received thus far to meet the above costs, according to Fund data, are as follows:

Table 3: Pledges to the Global Fund, by Year that Donation Will be Made⁹

Year	Total Pledges
2002	\$ 944 m.
2003	\$ 835 m.
2004	\$ 477 m.
2005	\$ 334 m.
2006	\$ 209 m.
2007	\$ 201 m.
2008	\$ 200 m.
Unspecified	\$ 173 m.
TOTAL	\$3,372 m.

Tables 1 and 2 show that the money that donors have promised to give to the Fund by the end of 2003 is \$1,371 m. less than the money that the Fund needs to receive by then.

Putting it another way, of the \$1,600 m. that the first two years of Round 3 are expected to cost, only \$229 m. has been pledged thus far, with a further \$1,371 m. still needing to be pledged. And this money needs to be pledged by September (otherwise the grants cannot be approved) and received by the end of the year (otherwise the grants agreements cannot be signed).¹⁰ This serious situation is rendered worse by the fact that a number of the pledges for 2002 still have not been paid. According to the Fund’s web site, unpaid pledges from last year are as follows:

Table 4: Unpaid 2002 Pledges to the Global Fund¹¹

Country/Corporation	Unpaid 2002 pledge
Belgium	\$ 0.2 m.
European Commission	\$64.6 m.
Luxembourg	\$ 1.1 m.
United States	\$25.0 m
Winterthur (corp.)	\$ 0.4 m.
TOTAL	\$91.3 m.

⁹ Source: www.globalfundatm.org/contribute.html

¹⁰ The US Congress, for instance, may decide to increase the US pledge for 2004 above \$200 million, but it would need to do so prior by September, not in October when the US fiscal year begins.

¹¹ Source: www.globalfundatm.org/contribute.html.

In the short term, the money required by the Fund must obviously be raised through persuading donors to make ad hoc – and very large – voluntary contributions. But as the Fund matures, countries will need to agree on a formula that determines dues. And when a dues-based approach is put in place, a decision will need to be made as to whether such dues are required, or are merely encouraged.

Table 5 shows that while donors such as the United States and others have portrayed their support for the Fund as strong, in fact their actual pledges are a small fraction of what the Fund states it needs to meet demands.

Table 5: Pledges for 2003 and 2004 Compared to Fund Requirements

Donor	Pledged thus far for 2003+2004 (including surplus from 2002 pledges)¹²	Percent of what the Fund requires 2003-2004 (\$6,363 m)
The G7 “high Human Development Index” Countries:	(\$1,267 m.)	19.9%
Canada	\$ 58 m.	0.9%
France	\$ 126 m.	2%
Germany	\$ 39 m.	0.6%
Italy	\$ 133 m.	2.1%
Japan	\$ 147 m.	2.3%
UK	\$ 113 m.	1.8%
G7 nations less the US	(\$ 617 m.)	9.7%
USA ¹³	\$ 650 m.	10.2%
European Commission:	\$ 43 m.	0.7%
The 40 non- G7 “high Human Development Index” countries:	\$ 228 m.	3.6%
All other countries, plus foundations, corporations and individuals	\$ 89 m.	1.4%
<u>TOTAL:</u>	<u>\$1,626 m.</u>	<u>25.6%</u>

¹² Pledge data are all as was cited by the Global Fund at www.globalfundatm.org/contribute.html

¹³ The US pledge here combines 2003 and 2004. The US 2004 pledge taken separately (\$200 million) is 5.26% of \$3,800 m., what the Fund says it needs in calendar year 2004.

Determining a Fair Level of Contribution

In 2002, the Global AIDS Alliance and others proposed an “Equitable Contributions Framework.”¹⁴ (The concept has since been adopted by the Fund the Fund Campaign, which has also called on donors to adopt a dues-based approach.) The Framework is based on the following concepts:

- As the Fund gets settled in to years of work and tens of billions of dollars of activity, the methods by which it is financed need to move from totally voluntary and unpredictable to more structured and reliable. What’s required is a dues-based “appropriate minimum contribution” tailored to the size of each donor.
- 80% or 90% of donations to the Fund should be made by the countries whose citizens live the most comfortable and unthreatened lives. (The Equitable Contributions Framework proposes that these be the 47 countries that have a ‘high’ Human Development Index, or HDI. The UN’s HDI measures the overall quality of life based on standard of living, life expectancy, and literacy plus school-enrolment.)
- The remaining 10% or 20% of donations to the Fund should be made by foundations, corporations, and individuals. (The Fund is described as a “public private partnership,” but these words are currently somewhat lacking in meaning on the donor side.)
- Donations by the donor countries should bear some relation to their level of economic activity and wealth. There are various possible formulae, some of them (such as that used for UN dues) being based on lengthy negotiations. But the formula used in the Equitable Contributions Framework suggests simply that contributions be proportionate to GDP (gross domestic product).

The following table summarises how, according to the Framework, the responsibility for paying the \$6,363 m. needed by the Fund over the years 2003 plus 2004 should be divided between various donors, and also what their actual pledges have been thus far for those two years.

¹⁴ See "The Global Fund: Which Countries Owe How Much?", April 2002, by Tim France, Gorik Ooms, and Bernard Rivers, www.aidspace.org/gfo/docs/gfo15.htm. (Unknown to the authors at the time, a similar concept had earlier been proposed by Oxfam.) See also "Filling the Funding Gap to Save Lives: A Proposal for an 'Equitable Contributions Framework' for the Global Fund," Global AIDS Alliance, October 2002, http://www.globalaidsalliance.org/Filling_the_Funding_Gap_09Oct02.pdf

Table 6: Summary of Pledges and Equitable Contributions to the Fund

Donor	Minimum percent of Global Fund's budget that should be paid by each donor, equal to its share of world GDP ¹⁵	Thus, Equitable Contribution: The minimum amount that should be paid to the Fund during 2003+2004	Pledged thus far for 2003+ 2004 (including surplus from 2002 pledges) ¹⁶	Thus, percent of Equitable Contribution that has been pledged thus far
The G7 "high Human Development Index" Countries:	66%	\$4,224 m.	\$1,267 m.	30%
Canada	2%	\$ 138 m.	\$ 58 m.	42%
France	4%	\$ 265 m.	\$ 126 m.	47%
Germany	6%	\$ 381 m.	\$ 39 m.	10%
Italy	3%	\$ 222 m.	\$ 133 m.	60%
Japan	14%	\$ 863 m.	\$ 147 m.	17%
UK	4%	\$ 286 m.	\$ 113 m.	40%
USA	33%	\$2,069 m.	\$ 650 m.	31%
European Commission:	n/a	n/a	\$ 43 m.	n/a
The 40 non- G7 "high Human Development Index" countries:	14%	\$ 921 m.	\$ 228 m.	25%
All other countries, plus foundations, corporations and individuals	19%	\$1,218 m.	\$ 89 m.	7%
TOTAL:	100%	\$6,363 m.	\$1,626 m.	26%
Global Fund's minimum requirements for 2003+2004 (see Table 2)		\$6,363 m.		

As can be seen, the US share of the global economy is 33%. As a result, its Equitable Contribution for 2003+2004 is \$2,069 m., of which it has currently pledged \$650 m. (when one includes \$100 m. from its 2002 pledge that was not used that year so was rolled into the 2003 disbursement). The US has so far only pledged 31% of its Equitable Contribution, even though the US Secretary of Health and Human Services chairs the Fund. Of the G7 nations, Canada, France, Italy and the UK have pledged higher portions of their Equitable Contributions than the US, though only Italy is over 50%; Germany and Japan have pledged much lower portions. (Not shown in the table are Netherlands and Sweden, which are the two countries that have already pledged in excess of their Equitable Contributions.)

¹⁵ Based on 2001 GDP data provided at www.worldbank.org/data/countrydata/countrydata.html.

¹⁶ Pledge data are all as was cited by the Global Fund at www.globalfundatm.org/contribute.html

Prospects of the United States Putting in Its Fair Share

The President's budget for 2004 funds only \$200 million for the Global Fund. But the Fund needs an anticipated \$2,521 m. in calendar 2003 and an anticipated \$3,842 m. in calendar 2004. The \$200 m. pledged by the US for FY 2004 is just 5.2% of what the Fund needs in calendar year 2004. This level of support is far short of the up to \$1 billion authorized by the Congress in the recently passed Global AIDS legislation. Therefore, it will be up to congressional appropriators to find the funds to make up the difference

There is currently tremendous pressure on the Congress to cut back even from the level of spending proposed by President Bush. The recently passed tax-cut is forcing congressional appropriators to cut their spending allocation significantly below planned levels to make up for the reduction in tax revenue.

In addition, the US Congress recently approved a defense spending authorization bill that is 20% larger than defense spending in 2001, not including extra spending for Afghanistan and Iraq and spending related to terrorism. Military spending, at \$400 billion, is now greater than the combined defense spending of all NATO allies, plus that of eight 'rogue' nations, combined.¹⁷

One way of securing additional funds for the Global Fund and other programs outside of the regular appropriations process is through an Emergency Supplemental Spending Bill to amend the FY 2003 budget. These funds are 'off budget' and can be provided without taking resources from other programs. Hundreds of advocacy and religious organizations, joined by numerous members of the US Congress, have urged a \$500 million supplemental for the Global Fund.¹⁸

In January 2003, President Bush announced during his State of the Union address his intention to fully fund an 'Emergency Plan for AIDS Relief' to prevent 5 million infections and provide treatment for 2 million people within 5 years. The President rightly pointed to the unique opportunity to do "so much for so many."

The President subsequently proposed a specific spending plan on Global AIDS for 2004, totaling \$1.7 billion (see table 7),¹⁹ as a part of a foreign aid spending package that proposed cuts in a range of important development programs. When it approved the FY 2004 Budget Resolution, the Congress budgeted for this amount of spending. For AIDS programs, the President chose to put the largest share of funding into US bilateral programs, even though they have large administrative overheads and long lead times for delivering aid to the field.

¹⁷ Data from <http://www.washingtonpost.com/wp-dyn/articles/A38954-2003May25.html>

While US Secretary of State Colin Powell has called AIDS the greatest threat faced by humanity, Defense Department officials hope to spend \$1.9 trillion over the next five years, much of that for new military hardware including attack submarines costing \$2 billion each.

¹⁸ A large portion of US foreign assistance is provided to countries that are already relatively wealthy. For instance, the US recently approved \$3.4 billion, plus 19.5 billion in loan guarantees, on an emergency basis, not for AIDS programs, but for economic and military aid for Egypt, Turkey, Israel, and Jordan, where life expectancy is at least 68. These funds are in addition to the amounts these countries receive through the regular foreign aid budget.

¹⁹ The President has described his plan as proposing a level of \$2 billion for FY 2004, but this includes spending on research as well as on diseases other than AIDS. This inappropriately exaggerates the US commitment, because the spending target the US agreed to at the UN General Assembly Special Session on HIV/AIDS in 2001 excluded research and was AIDS-specific.

Table 7: President Bush's Emergency Plan for AIDS Relief						
<i>(in USD millions)</i>	Baseline	FY04	FY05	FY06	FY07	FY08
Ongoing Bilateral Spending						
USAID-HIV/AIDS	500	650	500	500	500	500
USAID-HIV/AIDS-other economic assistance	40	40	40	40	40	40
HHS	144	294	144	144	144	144
New AIDS Spending						
Global AIDS Initiative		450	1250	1800	2400	2600
Global Fund						
	200	200	200	200	200	200
Total Spending		2010	2510	3060	3660	3860

Source: President Bush's FY 2004 Budget Request to Congress

Responding to grassroots pressure, the US Congress went even further than the President specified by passing historic global AIDS legislation, which the President will sign into law today, May 27, 2003. This bill, the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003, authorizes (but does not mandate) the US government to spend \$ 3,000 m. during FY 2004 for global AIDS programs, with up to \$1,000 m for the Global Fund. This is significantly above the President's budget proposal, according to which US spending will not reach the level of \$3,000 m. until 2006.

While the overall level of funding in the bill is not binding on the Congress, the AIDS bill has specific provisions on the US contribution to the Global Fund that are binding. The legislation specifies that US contributions can be no more than 33% of total contributions. Therefore, the ultimate US contribution will be closely tied to the level of leadership demonstrated by other members of the G-7.

The US Congress will make critical decisions about US funding for the Global Fund as it considers the Foreign Operations Appropriations Bill and the Labor Health and Human Services Appropriations Bill in the next two months. These committees start their work from the President's budget request but have indicated an interest in going substantially beyond this request for the Global Fund. They must do so by September, so that the Fund can take this contribution fully into account for Round Three. To ensure adequate funds for fully implementing the AIDS bill he supports, plus other vitally needed development programs, President Bush should immediately submit a budget amendment to Congress.

Fighting AIDS on a global scale is a massive and complicated undertaking. Yet, this cause is rooted in the simplest of moral duties. When we see this kind of preventable suffering, when we see a plague leaving graves and orphans across a continent, we must act. When we see the wounded traveler on the road to Jericho, we will not, America will not pass to the other side of the road.

-- US President George W. Bush, April 29, 2003

Implications for the Rest of the G7

Europe, Canada and Japan must act fast to help ensure the continued success of the Global Fund, one of the most important multilateral initiatives now operating. No country, with the partial exception of Italy, has shown the kind of leadership needed to marshal greater resources. Now the performance of the rest of the G-7 in showing leadership in support of the Global Fund is linked as never before to US performance. The G-7 meeting in early June and the subsequent Donors Conference in Paris in July should be an opportunity to demonstrate the commitment by the Europeans and other members of the G-7. Together with the US, they should commit to a dues-based system of providing resources to the Fund, as urged by the groundbreaking Fund the Fund Campaign.²⁰

Other Wealthy Nations Must Do More

Wealthy nations outside the G7 must also do their part to confront this global crisis. Spain, for instance, has donated to the Fund (\$50 m), but still not at the level of what would be an Equitable Contribution (\$174 m for 2003 and 2004). Belgium and Austria should also do more.

Some nations have yet to put any funds into the Global Fund at all. Some of these, like Portugal, are former colonial powers and have an obligation to support the Fund, particularly because the Fund is supporting projects in their former colonies. Others, like Australia and South Korea, have an especially important stake in economic success and stability in Asia, which is threatened by AIDS, TB and Malaria. Since countries much less wealthy than those listed in Table 7 have donated (such as Cameroon, Uganda and Zambia), then there is no reason why those listed below cannot donate as well.

Table 8: Relatively Wealthy Countries That Have Failed to Donate to the Fund

Donor	Amount contributed to date²¹	Equitable contribution for 2003 + 2004
South Korea	\$ 0	\$ 144 m.
Australia	\$ 0	\$ 123 m.
Greece	\$ 0	\$ 35 m.
Israel	\$ 0	\$ 35 m.
Portugal	\$ 0	\$ 33 m.
TOTAL:	\$ 0	\$370 m.

²⁰ The Fund the Fund Campaign has been initiated by a global coalition of public health advocacy organizations to pressure governments of wealthy countries to contribute urgently needed resources to the Fund. More info at www.fundthefund.org

²¹ Pledge data are all as was cited by the Global Fund at www.globalfundatm.org/contribute.html