



Independent observer
of the Global Fund

WHICH COUNTRIES SHOULD GIVE HOW MUCH TO THE GLOBAL FUND?

Donor countries will meet in The Hague, Netherlands, next week for the first of two replenishment meetings to discuss how much they might give to the Global Fund for the three years 2011-2013. (The second meeting will take place in October 2010, in New York.)

Over the years, several formulae have been advanced for calculating what might constitute each country's "fair share" of the Global Fund's financial needs. The first widely-discussed such formula was the Equitable Contributions Framework, advanced in 2002 within the NGO sector and then further developed by Aidspan, publisher of GFO. The basis of that formula was that countries should contribute in proportion to the size of their respective economies.

In preparation for next week's meeting in The Hague, the Global Fund has released a Technical Note in which it outlines four possible formulae, or "contribution scenarios," for obtaining the money that the Fund needs for 2011-2013. (See "Technical Note 1: Illustrative Contribution Tables," at www.theglobalfund.org/en/replenishment/hague/documents.) The scenarios are as follows:

- Scenario 1 (the "Pro-Rata" scenario): Each country contributes a share of the need that is equal to its share of all contributions given to the Fund during 2007-2009. (Thus, if a country has previously given relatively generously, or otherwise, it is assumed that the country will continue similarly.)
- Scenario 2 is based on each country's share of contributions made to the International Development Association (i.e., traditional foreign aid), and is not pursued further here.
- Scenario 3 (the "Adjusted GNI" scenario): Each country contributes a share of the need that is equal to its share of global Gross National Income (GNI), adjusted by GNI per capita. (The adjustment is made so that if two countries have the same GNI, but one has a much larger population and hence a lower GNI per capita, the country with the smaller population contributes more, because it has a

greater ability to give.) The Adjusted GNI scenario is very similar to the Equitable Contributions Framework; it is assumed that each country gives according to its economic ability, however much or little it has given in the past.

- Scenario 4 (the “0.7” scenario): This is a hybrid between Scenarios 1 and 3, in which the contributions of those countries whose “Scenario 1 contribution” is less than 0.7 (i.e., 70%) of their “Scenario 3 contribution” are increased to the 0.7 level. The contributions of the other countries are then reduced to “offset” these additional contributions. (Thus, those countries that have previously been not very generous in relation to their economic ability are assumed to move somewhat nearer to what they are capable of, with the contributions of the more generous countries being reduced correspondingly.)

In an introduction to the Technical Note, the Global Fund says that the scenarios were prepared at the request of donors. However, it also says that the development of the scenarios was a “purely mechanical exercise,” done for “illustrative purposes,” and not done in an “attempt to assign shares to donors.”

The Technical Note contains a series of tables outlining what the contribution of each donor country would be under each of the scenarios. The tables include contributions from private foundations, the private sector and innovative financing schemes.

To supplement the scenarios developed by the Fund, GFO has developed two “bad scenarios” to illustrate the possible thinking of some donors:

- Scenario 0 (the “No Increase” scenario): Each country contributes the same dollar amount per year that it has averaged in recent years, even though the need has increased significantly.
- Scenario 5 (the “Least Pain” scenario): Each country contributes the least amount of what it should contribute according to Scenarios 1, 3 and 4. (This is because there is a real possibility that many countries will choose whichever scenario is the least painful.)

To complicate matters somewhat, there is no agreement yet on what the total amount is that should be provided to the Global Fund. As discussed in the previous article, the Fund has put forward three resource needs scenarios, ranging from \$13 billion to \$20 billion. In the two tables below, we show different ways of dividing up contributions to meet the targets for two of the three resource needs scenarios. Table 2 shows contribution levels for Resource Needs Scenario 2 (\$17 billion), which would allow for the continuation of funding for existing programmes, and funding for new programmes at a level that comes close to that of recent years. Table 3 shows contribution levels for Resource Needs Scenario 3 (\$20 billion), which would allow for the continuation of funding for existing programmes, and also allow well-performing programmes to be scaled up significantly.

(Unfortunately, the Global Fund has elected to use numbers [1, 2 etc.] to describe two different types of scenario – [a] the resource needs scenarios, discussed in the previous article, and [b] the contribution scenarios, discussed in this article. To minimise confusion, each time GFO refers to the resource needs scenarios in this article, it uses the label “resource needs.”)

Findings:

- Table 2 (based on Resource Needs Scenario 2) reveals that if all countries follow Scenario 0, the Global Fund will only receive \$9.2 billion of the \$17 billion three-year need, \$7.8 billion less than necessary. And if all countries follow Scenario 5, in which each one chooses the least painful of Scenarios 1, 3 and 4, the Fund will only receive \$13.5 billion, \$3.5 billion less than is necessary.
- Table 3 (based on Resource Needs Scenario 3) reveals that if all countries follow Scenario 0, the Global Fund will only receive \$9.2 billion of the \$20 billion three-year need, \$10.8 billion less than necessary. And if all countries follow Scenario 5, in which each one chooses the least painful of Scenarios 1, 3 and 4, the Fund will only receive \$15.9 billion, \$4.1 billion less than is necessary.

Notes for both tables:

1. As previously discussed, data for the shaded columns (i.e., all columns except Scenarios 0 and 5) was developed by the Global Fund. Data for Scenarios 0 and 5 was developed by GFO, based on data in the other scenarios.
2. For each of Scenarios 1, 3 and 4, the contributions by the European Commission, private foundations, the private sector and innovative finance sources are flat-lined because indicators of capacity to contribute (such as Adjusted GNI) are not relevant to these donors. It is assumed that contributions from the European Commission and private foundations will equal their current shares of total contributions to the Global Fund, and that the contributions from the private sector and innovative finance sources will increase (as a share of total contributions to the Global Fund).
3. For Scenario 5, which shows the smallest amount from Scenarios 1, 3 and 4, if there is an “n/a” in Scenario 1, it is excluded from the calculations.

Table 2: Amounts that countries might contribute to the Global Fund to meet the Resource Needs Scenario 2 target of \$17 billion, according to five scenarios

Donor	Average Annual Contribution 2007-09, \$m.	Total contribution over the <u>three</u> years 2011-2013, \$m.			
		Scenario 0: No Increase	Scenario 1: Pro-Rata	Scenario 3: Adjusted GNI	Scenario 4: 0.7
Australia	29.0	87	160	291	204
Austria	n/a	n/a	n/a	138	97
Belgium	18.6	56	103	176	123
Brazil	0.1	0	0	70	49
Canada	127.1	381	703	485	657
China	2.0	6	11	96	67
Denmark	29.1	87	161	161	150
European Commission	143.7	431	795	795	795
Finland	4.1	12	22	103	72
France	429.1	1,287	2,374	955	2,217
Germany	233.4	700	1,291	1,237	1,206
Greece	0.9	3	5	77	54
India	2.0	6	11	11	10
Ireland	26.1	78	144	92	135
Italy	184.5	554	1,021	622	954

Donor	Average Annual Contribution 2007-09, \$m.	Total contribution over the <u>three</u> years 2011-2013, \$m.			
		Scenario 0: No Increase	Scenario 1: Pro-Rata	Scenario 3: Adjusted GNI	Scenario 4: 0.7
Japan	188.1	564	1,040	1,559	1,092
Korea (Rep. of)	3.3	10	18	188	132
Kuwait	0.8	2	4	26	18
Luxembourg	3.4	10	19	29	21
Mexico	n/a	n/a	n/a	74	52
Netherlands	93.5	281	517	346	483
New Zealand	n/a	n/a	n/a	29	20
Norway	56.7	170	314	302	293
Portugal	2.8	8	16	38	26
Russia	68.3	205	378	110	353
Saudi Arabia	6.0	18	33	49	34
South Africa	1.1	3	6	14	10
Spain	151.3	454	837	389	782
Gen. Cat. (Spain)	2.3	7	13	13	13
Sweden	84.9	255	470	200	439
Switzerland	6.2	19	35	272	191
Thailand	1.0	3	6	5	5
Turkey	n/a	n/a	n/a	54	38
United Kingdom	150.5	452	833	1,058	778
United States	829.7	2,489	4,589	5,757	4,287
Other countries	0.9	3	5	111	78
Sub-total: Countries	2,880.0	8,640	15,933	15,933	15,933
Private Foundations	100.7	302	557	557	557
Private Sector	56.2	169	340	340	340
Innovative Financing	20.3	61	170	170	170
Total	3,057.2	9,172	17,000	17,000	17,000
Total need	n/a	17,000	17,000	17,000	17,000
Shortfall	n/a	7,828	NIL	NIL	NIL

Table 3: Amounts that countries might contribute to the Global Fund to meet the Resource Needs Scenario 3 target of \$20 billion, according to five scenarios

Donor	Average Annual Contribution 2007-09, \$m.	Total contribution over the <u>three</u> years 2011-2013, \$m.			
		Scenario 0: No Increase	Scenario 1: Pro-Rata	Scenario 3: Adjusted GNI	Scenario 4: 0.7

Australia	29.0	87	189	342	240
Austria	n/a	n/a	n/a	162	114
Belgium	18.6	56	121	207	145
Brazil	0.1	0	0	82	57
Canada	127.1	381	827	571	773
China	2.0	6	13	113	79
Denmark	29.1	87	189	189	177
European Commission	143.7	431	935	935	935
Finland	4.1	12	26	121	85
France	429.1	1,287	2,793	1,123	2,609
Germany	233.4	700	1,519	1,456	1,419
Greece	0.9	3	6	91	64
India	2.0	6	13	13	12
Ireland	26.1	78	170	108	159
Italy	184.5	554	1,201	731	1,122
Japan	188.1	564	1,224	1,835	1,284
Korea (Rep. of)	3.3	10	22	222	155
Kuwait	0.8	2	5	31	22
Luxembourg	3.4	10	22	35	24
Mexico	n/a	n/a	n/a	87	61
Netherlands	93.5	281	608	407	568
New Zealand	n/a	n/a	n/a	34	24
Norway	56.7	170	369	356	345
Portugal	2.8	8	18	44	31
Russia	68.3	205	445	129	415
Saudi Arabia	6.0	18	39	57	40
South Africa	1.1	3	7	16	11
Spain	151.3	454	984	458	920
Gen. Cat. (Spain)	2.3	7	15	15	15
Sweden	84.9	255	552	235	516
Switzerland	6.2	19	41	320	224
Thailand	1.0	3	7	6	6
Turkey	n/a	n/a	n/a	63	44
United Kingdom	150.5	452	980	1245	915
United States	829.7	2,489	5,399	6,773	5,044
Other countries	0.9	3	6	131	92
Sub-total: Countries	2880.0	8,640	18,745	18,745	18,745
Private Foundations	100.7	302	655	655	655
Private Sector	56.2	169	400	400	400
Innovative Financing	20.3	61	200	200	200
Total	3057.2	9,172	20,000	20,000	20,000
Total need	n/a	20,000	20,000	20,000	20,000
Shortfall	n/a	10,828	NIL	NIL	NIL

