



Independent observer
of the Global Fund

US Unlikely to Contribute is Full Global Fund Pledge; UK Also Disappoints the Fund

The US is likely not to hand over a small portion of its 2004 pledge to the Global Fund. In January, the US Congress appropriated \$547 million to be given to the Global Fund during 2004, on condition that the amount given by the US does not exceed 33% of all donations made this year. It now seems unlikely that contributions from non-US donors will be enough to permit the US to hand over its full \$547 m. pledge.

The 33% rule happens to match both the proportion of past Global Fund contributions made by the US, and the US proportion of world GNP

The US legislation that controls this year's contribution suggests that the US contribution be computed based on how much has been given by non-US donors for 2004 during the period through July 31 – less than a full year. On this basis, the US contribution for 2004 would be about \$426 million. It is then left to Randall Tobias, head of PEPFAR (the US President's Emergency Plan for AIDS Relief) to decide what to do with the amount (\$120 million) by which this falls short of the total potential contribution of \$547 m.

Mr. Tobias has the option to give all of the \$120 million in leftover money to PEPFAR, the program he manages. Instead, he has extended to September 30 the deadline by which non-US contributions must be received in order to be taken into consideration. This means the Fund has two months in which to persuade non-US donors to contribute an additional \$240 m.

2004 pledges by non-US donors that had not been paid as of July 31 total \$190 m., \$120 m. of which is from Italy and \$51 m. from the EC. Thus, if the Fund is to receive the full potential contribution from the US, it has to persuade donors to hand over these 2004 pledges before the end of September; and it has to find an additional \$50 m. in new donations during the same time period. The money from the EC has

already been paid and the money from Italy is expected to be paid in time. The remaining money is much less certain.

Two factors have contributed to this problem. First, the US Congress did not decide on its 33% rule until the start of this year, long after most donors had decided how much to give this year. Second, the US operates on a fiscal year of October 1 through September 30. But many other donors, and the Fund itself, use a fiscal year of January through December. Mr. Tobias's resolution is to consider money received *for* Calendar Year 2004 *during* US Fiscal Year 2004.

Reducing the severity of the problem, however, is the fact that Mr. Tobias has made it clear that in future years, the US will continue to use the same calculation methods, but on a cumulative basis. Thus, in 2005 the US will say that the total US contribution during 2004 plus January through July 2005 will not be allowed to exceed 33% of all contributions during the same time period; and so on, in subsequent years. Thus, if (for instance) Italy decides it can't hand over its \$120 m. for 2004 until after September 30, at least that contribution will have an impact on the calculations that are carried out by the US regarding its 2005 maximum. (Readers who by now are totally confused are invited to jump to the next paragraph.)

In a separate development, the UK has provided details regarding its Global Fund pledges for 2005-7.

During the Bangkok International AIDS Conference in mid-July, the UK announced that it will increase its total expenditure on all forms of HIV/AIDS-related work to £1.5 billion (\$2.7 b.) over the three years 2005-7. (In the previous issue of GFO, this was incorrectly reported as \$750 m.)

On 20 July, the UK specified that as part of this increase, it will double its previously-made Global Fund total pledge for the three years 2005-7 from £77 million (\$140 m.) to £154 million (\$280 m.), presumably at the rate of one third of that per annum. The pledge for 2005-7 is now 60% greater than the \$173 m. contribution for the three previous years (2002-4).

The increase in the UK pledge to the Fund was welcomed by Executive Director Richard Feachem. But he had cause to feel disappointed. The UK has chosen to spend only ten percent of its international AIDS expenditure on the Fund. And the UK's new pledge for 2005 would need to be more than doubled again (from \$93 m. to \$207 m.) if the UK were to pledge according to the Equitable Contributions Framework. (In this approach, the Fund's 2005 needs of \$3.5 billion would be covered one third by Europe, one third by the USA, and one third by others, with each country contributing in proportion to GNP.) Although the UK proudly announced that within the G8 it is now "by far the largest donor" on HIV/AIDS programs "in terms of spending as a proportion of national income," it did not mention that this is certainly not the case with regard to its contributions to the Global Fund.

These developments do nothing to reduce the severity of the challenge the Fund will face in meeting its needs for 2005. In 2004, the Fund needs \$1.25 billion, which it has already received. But the Fund says that next year it will need \$3.5 billion if it is to maintain its schedule of one new Round of grants every eight months. \$1.5 billion of this is for renewals of some Round 1 and 2 grants; \$1 billion is for Round 5; and \$1 billion is for Round 6. Even if Round 6 is deferred to 2006, the 2005 need will be \$2.5 billion – considerably more money than the Fund has received in any earlier year. The increased need results from the fact that 2005 will be the first year in which grant renewals will take place. This factor has long been known, but has remained essentially un-discussed by the Board or its Resource Mobilization Committee.

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