



Independent observer
of the Global Fund

Which Countries Should Give How Much to the Global Fund?

The Global Fund has predicted for some months now that it will need to receive a total of \$7.1 billion in 2006 plus 2007. The total amount that it expects to receive in 2004 plus 2005 is \$3.0 billion. Thus, the Fund needs to start receiving money at more than double the rate of the past two years. The reason for the increase is that starting this year, the Fund not only needs to start new Rounds of grants, it needs to renew existing grants that reach the end of their second year.

Donor countries will meet in London on September 5-6 for their final Replenishment Meeting, at which they will announce their pledges for 2006 and 2007. Subsequent to the March Stockholm meeting and the June Rome meeting, each of them is now considering what would be an appropriate contribution.

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 most widely-discussed such formula was the Equitable Contributions Framework, a concept first advanced in 2002 within the NGO sector and then further developed by Aidspace, publisher of GFO. The basis of this formula is that countries should contribute in proportion to the size of their respective economies.

In preparation for the June 2005 Replenishment Conference in Rome, the Global Fund prepared a discussion paper in which it outlined five possible formulae, or "contribution scenarios," for obtaining the \$7.1 billion that the Fund needs for 2006 plus 2007. (See www.theglobalfund.org/en/about/replenishment/rome.) These are:

Scenario 1 (the "Pro-Rata" scenario): Each country contributes a share of the need that is equal to its share of the contributions given to the Fund to date.

Scenarios 2, 3 and 4 are based on each country's share of contributions made to other international

funds, and are not pursued further here.

Scenario 5 (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.

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

Scenario 0 (the “No Increase” scenario): Each country contributes the same dollar amount per year that it has averaged in past years, even though the need has increased.

Scenario 6 (the “Minimum of ‘1’ and ‘5’ ” scenario): Each country contributes the lesser of what it should contribute according to Scenarios 1 and 5. (For some countries, Scenario 1 will cost more; for others, Scenario 5 will cost more. So there is a real possibility that many will choose the less painful.)

As shown in the following table, if all countries follow Scenario 0, the Global Fund will only receive \$2.4 billion of the \$7.1 billion two-year need. This will mean that the Fund will not be able to launch any new Rounds, and will be \$1 billion short of the \$3.4 billion it will need during 2006-7 to renew existing grants.

And if all countries follow Scenario 6, in which each one chooses the less painful of Scenarios 1 and 5, the Fund will only receive \$5.5 billion, \$1.6 billion less than is necessary.

Given that Japan and the USA, the world’s two largest economies, currently appear unlikely to contribute much more than their “Scenario 0” amount, the outlook is bleak for the Fund meeting its needs for 2006-7.

Table: Amounts that Might be Contributed to the Global Fund According to Four Scenarios

Donor	Average Annual Contribution to date, \$m.	Total Contribution for the two years 2006-2007, \$m.	Scenario 6: Minimum of ‘1’ and ‘5’		
	Scenario 0: No Increase	Scenario 1: Pro-Rata	Scenario 5: Adjusted GNI		
Australia	13.8	28	83	65	65
Austria	1.1	2	6	40	6
Belgium	9.9	20	60	47	47
Brazil	0.05	0	0	9	0
Canada	33.3	67	201	129	129
China	2.0	4	12	11	11
Denmark	14.9	30	90	41	41
European Commission	150.6	301	909	909	909
Finland	0.0	0	0	26	0

France	105.8	212	638	256	256
Germany	31.8	64	192	359	192
Greece	0.0	0	0	13	0
India	0.0	0	0	2	0
Ireland	11.1	22	67	20	20
Italy	115.0	230	694	183	183
Japan	82.2	164	496	1,015	496
Korea (Rep. of)	0.5	1	3	47	3
Kuwait	1.0	2	6	5	5
Luxembourg	1.9	4	11	6	6
Mexico	0.0	0	0	27	0
Netherlands	35.3	71	213	76	76
New Zealand	0.7	1	4	7	4
Nigeria	9.1	18	55	0	0
Norway	17.8	36	108	58	58
Portugal	0.5	1	3	10	3
Russia	3.3	7	20	7	7
Saudi Arabia	2.5	5	15	13	13
Singapore	0.2	0	1	13	1
South Africa	2.0	4	12	2	2
Spain	25.0	50	151	81	81
Sweden	27.2	54	164	51	51
Switzerland	4.1	8	25	83	25
Thailand	1.0	2	6	2	2
United Kingdom	59.5	119	359	324	324
USA	360.5	721	2,176	2,839	2,176
Other Countries	1.3	3	8	14	8
Private Sector	51.4	103	310	310	310
TOTAL	1,176.5	2,353	7,100	7,100	5,510
Total need:	n/a	7,100	7,100	7,100	7,100
Shortfall:	n/a	4,747	0	0	1,590

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