

# 3...2...1... gone?

## Failure to call Global Fund Round 6 risks the whole 2010 AIDS treatment target

### Summary

Global Fund funding rounds are becoming further and further apart due to the failure of donors to commit enough resources for the Fund to do its job. At the April Board meeting, donors will decide whether Round 6 can be held this year. If it is delayed until 2007 or even later, the G8's treatment target will not be helped by one of the main sources of funding. ActionAid calls on the UK Government to continue its leadership on AIDS from 2005 and put pressure on other donors to launch Round 6 and to pay their fair share to the Fund.

## Recommendations

ActionAid is calling for:

- The Global Fund Board must launch Round 6 at the Board meeting in Geneva 27-28 April 2006.
- The UK Government must continue its leadership by publicly supporting Round 6.
- The UK Government must lobby other donor countries to support Round 6.
- Donor countries must then work towards ensuring that the Durban Pledging Conference commits adequate ongoing funds on an equitable basis.
- The UK should replace the \$65m brought forward from its 2006 pledge and ensure that its 2006 and 2007 contributions total at least \$390m.
- Round 6 decisions in October must see significant new funding for treatment scale-up towards the 2010 target.

## Introduction

Initiated by Kofi Annan and launched by the G8 in 2001, the Global Fund to Fight AIDS, TB & Malaria was set up as a new fundraising instrument to provide significant new resources for developing countries to fight against these communicable diseases of poverty. Its structure carefully ensures country ownership of responses to the diseases with a strong requirement to consult with civil society and affected communities. It also has a uniquely democratic and open decision-making process which prevents donor countries from attaching inappropriate conditions to their contributions.

ActionAid has been a strong advocate of the Global Fund since its inception, even at a time when many NGOs were lukewarm and the UK

Government appeared hostile to the Fund.<sup>1</sup> This period of the Fund's life saw the US disengage from the Fund, preferring to offer its bilateral funding for AIDS through its much-criticised PEPFAR scheme, with attendant and harmful conditions demanded of recipient countries. Paradoxically, the Fund now has almost universal support from the NGO community and the UK Government has become a vocal and active champion of the Fund, doubling its own contribution for 2006 and 2007. This, however, has not brought sufficient additional funding to guarantee the launch of Round 6.

## Rounds of funding

Right from the start, the Global Fund had huge ambitions. Kofi Annan initially called for a "war chest" of \$7-10 billion per annum to fight AIDS.<sup>2</sup> Although the Fund was to also cover TB and malaria, and donors soon clarified that not all of the AIDS war chest would go through the Fund, in July 2004 Executive Director Richard Feacham identified a "cruising altitude" of "something like \$8 billion per year".<sup>3</sup>

The Fund has never formally set out its schedule of funding rounds but, after two rounds were held in 2003, it became the expectation that three rounds over two years would become the norm, allocating both new grants and renewals of existing grants. That norm was quickly broken when the Fund could only hold one round each in 2004 and 2005. In 2005, for the first time, the number of proposals

<sup>1</sup> The Best Chance We Have, ActionAid 2003.

<sup>2</sup> <http://news.bbc.co.uk/1/hi/world/africa/1297474.stm>

<sup>3</sup> Transcript, PBS News Hour with Jim Lehrer, PBS 15 July 2004 [http://www.pbs.org/newshour/bb/health/july-dec04/aids\\_7-15.html](http://www.pbs.org/newshour/bb/health/july-dec04/aids_7-15.html)

approved by the Technical Review Panel exceeded the amount of money in the Fund and therefore a number of grants were rejected. These were later funded thanks to part of the UK's contribution for 2006 being made available earlier.

Round number	Date	Amount committed
1	April 2002	1,300 m
2	January 2003	1,504 m
3	Oct 2003	632 m
4	June 2004	1,014 m
5	Sept 2005	714 m
6	?	?
TOTAL		5,163 m

If the Board meeting this month fails to announce Round 6, the Fund faces the first year in its short history when it will be unable to fund any new applications. This will have a devastating impact on the Fund's momentum. In addition, 26 projects whose grants expire at the end of the year will be halted.<sup>4</sup>

### Replenishment

In 2005, the UK government volunteered to host a Replenishment Conference. Fears that this meeting would be held in such a way as to avoid putting donors on the spot were increased when a date at the beginning of September was announced, a period unlikely to get media or political interest in the shadow of the G8. The UK also talked of a conference on funding rather than the Global Fund. In the end, the UK government doubled its own contribution but was unable to build momentum

for other donors to do the same and only \$3.7 bn of the \$7.1 bn needed for 2006 and 2007 was pledged. Another Pledging Conference is set for Durban in July 2006 and will need significant momentum if it is to be more successful. Incoming proposals for Round 6 would be a major factor in concentrating the minds of donors.

### UK and the Global Fund

In 2002, 2003 and 2004, the UK contributed an average of US\$59m per year. Whilst this was significantly below the NGOs' analysis of a fair share according to the Equitable Contributions Framework, the UK did establish the principle of annual contributions which some other countries have resisted. For 2005, the UK announced that it would increase its pledge to \$89m. At the Replenishment Conference in September 05 the UK announced a total of \$357m for 2006 and 2007. This represents 92% of the UK's fair share for these years and was warmly welcomed as an endorsement of the Fund. Finally, in November 2005 the UK stepped in to help fill a gap in the Fund's needs for Round 5 by making an additional payment of \$65m. This is identified as part of its 2006/2007 contributions brought forward although there remains a hope that an increase in the later contribution can allow the Fund to treat the \$65m as additional money for 2005.

### US and the Global Fund

Although the United States remains the largest single donor country to the Fund, in proportion to the size of its economy, its contributions have never come anywhere close to a fair share. The Equitable Contributions Framework developed

<sup>4</sup> Global Fund Observer, [www.aidspace.org](http://www.aidspace.org)

by civil society<sup>5</sup> identified that the US only pledged 23% of its fair share for 2006 and 2007. Despite a Congress resolution that the US should contribute no more than a third of the total contributed to the Fund each year, this proportion has slipped and the US pledges currently represent only 23% of the Fund's income for the current two year period. Instead the US has preferred to put its money through its own bilateral PEPFAR programme, now widely criticised for its use of expensive patented medicines, abstinence-based prevention programmes and hostility to condoms.

### Financial systems reform

When set up, donor governments who dominate the Board insisted on very conservative financial arrangements. The Comprehensive Funding Policy requires the Fund to deposit the entire cost of a grant in the bank before a grant agreement is signed. This led to a situation where the Fund holds large amounts of money in its bank which could be used now to fund some grants, and later contributions could be used to pay the later stages of those grants. After many years of criticism of the restrictiveness of this policy, it is now being reviewed and a decision to relax this policy is likely at the Board meeting. This will release approximately \$400m additional money but this may not be enough to persuade donors to launch Round 6.

### Universal access by 2010

The G8 commitment to universal access to AIDS treatment for all who need it by the end of 2010 was, perhaps, the most dramatic and

ambitious announcement made at Gleneagles in July 2005. It will only become reality when there is enough funding going into national budgets to support health system development, the purchase of cheap generic copies of medicines and the retention of healthcare staff. Round 6 is essential to the potential success of the 2010 universal access target. As of 1<sup>st</sup> December 2005, programmes supported by the Global Fund are reported to be supporting 384,000 people on ARV treatment. If Round 6 is announced and committed, the time delay in signing agreements and disbursing funds means that countries applying for money to scale up treatment towards universal access for those in urgent need will wait until 2007 before funding is available. If Round 6 does not go ahead, it is hard to see any way that the 2010 treatment target could be met.

### Scenarios

There are two scenarios. In the first Scenario, the UK continues its leadership of the international donor community that is established in 2005. It pushes for Round 6 to be called. The gaping hole between what is needed and what is available will become more apparent. Civil society, the Global Fund and supportive governments build momentum for the Pledging conference in Durban in July. At this conference, enough money is pledged and naming and shaming inadequate donors successfully brings additional money onto the table. Then, in November, new proposals for Round 6 can be agreed and the annual funding rounds can be established more formally.

In the second scenario, the UK government goes along with the United States and accepts

<sup>5</sup> Bernard Rivers, Gorik Ooms and Tim France

that the Global Fund should not call a Round 6 in 2006. Another year goes by without donors facing up to the reality that they have made commitments but refused to fund them. New aid money coming onstream as a result of the Gleneagles commitment is not made available to the Global Fund. The Fund loses the confidence of NGOs, donor and recipient countries and becomes another abandoned skeleton in the G8's cupboard.

### **Conclusion**

The Global Fund to Fight AIDS, TB & Malaria remains an exciting and innovative funding mechanism that can raise significant new money and support developing countries to scale up their responses to these diseases of poverty, without attaching harmful conditions to money. It has helped to bring momentum to the donors to commit greater funding to the fight against AIDS, TB & Malaria. It has proved itself as a fast and effective funding mechanism, faster than other multilateral equivalents such as the World Bank and more open and democratic than bilateral funding. It is essential that Round 6 of the Global Fund is called at the Board meeting in April. If this does not happen the donors' lack of commitment will be exposed and the fight against HIV and AIDS set back yet again.