



the **FUND**
FOR AIDS, TB, AND MALARIA

AHF Position Paper

Calling on China, Germany and Japan
to step up their contributions at the
Fifth Replenishment of the Global Fund

AHF

AHF's "Fund the Fund" Campaign Position Paper

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AIDS Healthcare Foundation (AHF) is a leading global AIDS NGO, which provides medical care to 595,000 patients in 35 countries. Our mission is to provide "Cutting Edge Medicine and Advocacy Regardless of Ability to Pay."

Throughout the years AHF has been engaged in multiple advocacy initiatives related to, or directed at the Global Fund; these have included governance reform, optimization and reprogramming of grants, and Fund replenishment advocacy.

With the approach of the Fifth Replenishment Round of the Global Fund in October, AHF is re-launching the "Fund the Fund" campaign, which is calling on donor countries to commit to fully funding the Global Fund for the 2017-2019 grant cycle.

Over the past several replenishment rounds funding has remained virtually flat, a disturbing development that echoes a broader trend in the overall reduction of global AIDS funding. This trend cannot continue. Without a substantial scale up in funding through 2020, the world is at risk of losing progress that has been made in the war against AIDS, as well as tuberculosis and malaria. Now is the time to act. The Global Fund is a leading multilateral public health institution in this fight, thus continued donor support is critical to its success. Regrettably, some donors are not contributing their fair share to the Global Fund.

Among the leading economic powers of the world, China, Germany and Japan must do more to help sustain and fully fund the Global Fund. This paper presents the rationale for why these countries in particular must significantly step up their contributions to the Global Fund. Millions of lives depend on the outcome on the Fifth Replenishment Round.

Background

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is a leading multilateral funder of the global response to the three deadly trans-national epidemics. It is a prime

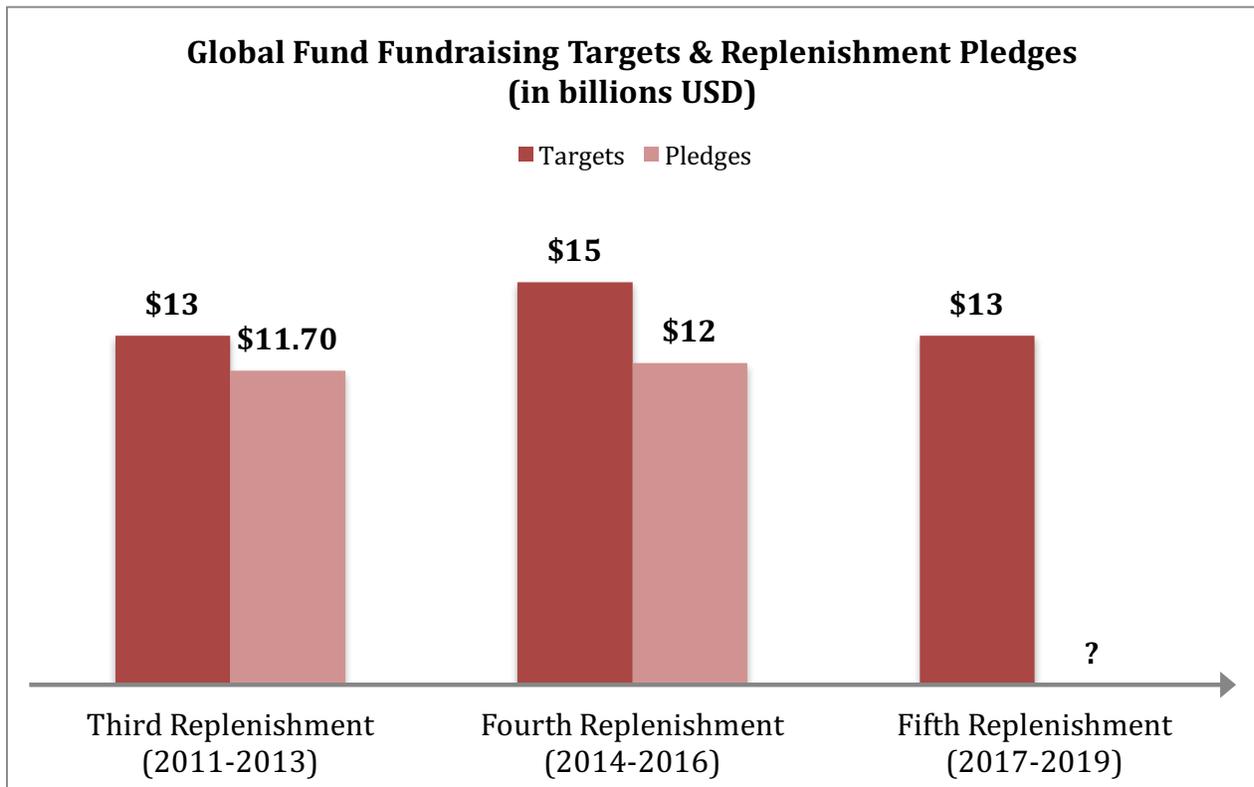
example of a successful development program, which harnesses the collaboration of developed and developing countries to achieve far-reaching public health outcomes on a worldwide basis.

The G8 members and supporting states founded the Global Fund in the early 2000s because they recognized the detrimental humanitarian, economic and public health costs AIDS, tuberculosis and malaria exacted on the people in developing countries and beyond their borders.

The investment in the Global Fund has delivered impressive results. Over 470 million people have been tested for HIV thanks to Global Fund supported programs. About 8.6 million people are receiving lifesaving antiretroviral therapy for HIV and 16 million people with HIV-TB co-infection have been treated. Nearly 3.3 million mothers have received treatment to prevent the transmission of HIV to their babies and 560 million people with malaria have been treated.¹

The Global Fund also plays a vital role in addressing gender-based disparities in the provision of health care for women, an essential but often neglected aspect of development. It is well-known that the AIDS epidemic disproportionately affects women and young mothers. In Africa, for example, girls account for 74% of all new infections among adolescents.

The Global Fund is tackling this challenge by specifically targeting 55%-60% of its grants toward women and girls, filling a critical programmatic gap.² The sustainability of this approach must be preserved at all costs, because without addressing the health needs of women the global AIDS response would collapse.



¹ "Results Factsheet," GFATM, <http://goo.gl/7Z68jC>, (January 2016).

² "AIDS is Sexist: Why continued investments in the Global Fund are more important than ever," ONE, <http://goo.gl/WW79Kj>

It is difficult to put a price tag on the amount of human suffering the Global Fund has averted or the thousands of children it has kept from becoming orphaned by disease. The number of lives it has saved is in the tens of millions, and the credit in large part belongs to the wealthy states that committed their resources to making it happen.

These achievements, however, are now in jeopardy. Due to reductions in donor pledges, the Global Fund hasn't hit its fundraising targets since 2010. In that year it set a target of \$20 billion as the best-case scenario—which would have allowed it to grow existing programs and fund new ones—and \$13 billion as the bare minimum needed to keep existing programs open. It managed to raise just short of \$12 billion.³ For the 2014-2016 replenishment, GFATM lowered the target to \$15 billion and only raised \$12 billion.⁴ For the upcoming round, the target has been lowered once again to \$13 billion.⁵

The pullback in donor support for the Global Fund is alarming and comes at a time when it could jeopardize the progress that has been achieved with the investment of billions of dollars over the past 14 years.

Based on the Global Fund Investment Case which incorporates needs assessments from UNAIDS, WHO, Stop TB Partnership and Roll Back Malaria Partnership, the global response to the three epidemics is likely to face a cumulative funding gap of \$19.5 billion for 2017-2019, despite an estimated investment of \$87 billion over the three years from

domestic sources, the Global Fund and other donors.⁶

In order to achieve long-term cost saving as a result of reduced morbidity and mortality from the three diseases and maintain the gains that have been achieved, there is a need for a surge in funding through 2020.⁷

According to UNAIDS, if this pattern of stagnant funding persists, and HIV treatment and services are not scaled up rapidly by 2020, this could result in 21 million deaths and an additional 28 million people becoming infected with HIV by 2030. If this were to happen, the world would have to pay an additional \$24 billion every year for antiretroviral therapy by 2030.⁸ Along with the indirect costs associated with the loss of productivity and long-term medical care for the severely ill, in the medium- to long-term costs of inaction would be staggering.

Why China, Germany & Japan?

The Global Fund needs a robust infusion of pledges from traditional donor countries to successfully hit, and hopefully exceed, the fundraising target of \$13 billion for the Fifth Replenishment Round. Among the top 5 economies in the world based on nominal GDP,⁹ which include the United States, China, Japan, Germany and the United Kingdom, financial backing for the Fund is not evenly apportioned. To ensure the Global Fund's continued sustainability and success, China,

³ "MSF Statement on Global Fund Replenishment," Medecins Sans Frontieres, www. <http://goo.gl/YLejFH>, (October 5, 2010).

⁴ "Donors Pledge \$12 Billion for Global Fund," Voice of America, <http://goo.gl/iGfTkh>, (December 5, 2013).

⁵ "Global Fund Investment Case. Fifth Replenishment 2017-2019," GFATM, <http://goo.gl/SB2QI9>, (Accessed February 2016).

⁶ David Garmaise, "Fund sets \$13 billion replenishment goal," *Global Fund Observer* Issue 277, <http://goo.gl/4d9Ys3>, (December 17, 2015).

⁷ "Funding for HIV and AIDS," AVERT, <http://goo.gl/U2Lome>, (Accessed February 2016).

⁸ "Fast-Track: Ending the AIDS Epidemic by 2030," UNAIDS, <http://goo.gl/8wYbhu>, (Accessed February 2016).

⁹ "GDP at market prices (current US\$)," The World Bank, <http://goo.gl/fN0Z3o>, (Accessed February 2016).

Germany and Japan need to step up their contributions.

Since 2010, contributions to the Global Fund amounted to \$6.9 billion from the United States, \$2.3 billion from the United Kingdom, \$1.56 billion from Germany, \$1.3 billion from Japan and only \$26 million from China. China is the second largest economy in the world, but its contribution is 50 times smaller than Japan's, which is the third largest economy. The United Kingdom is the smallest of the five economic powers, yet its contribution is 1.5 times greater than Germany's and 1.8 times greater than Japan's.¹⁰

Another way to assess the level of investment in the Global Fund is to compare contributions by the leading economies in relation to their populations. According to our analysis of historical population sizes and contribution levels, the average per capita contributions to the Global Fund for 2010-2015 by donors were as follows: China \$0.003, Japan \$1.71, Germany \$3.17, the United States \$3.73 and the United Kingdom \$6.14. In the case of European states, for comparative purposes we also looked at France, which is the sixth largest economy. Its average per capita contribution since 2010 is \$5.65.¹¹

Judging from the disparities in the amount of contributions from these countries, their respective governments place differing value on the public good generated by the Global Fund, chiefly in the form of improved global public health, fewer new infections, lower loss of productivity and higher return on public investment in education and healthcare. On the macro-economic level, all

states enjoy the benefits of a healthier world, however in the case of the Global Fund, the expense in attaining these benefits is not borne evenly by all donors.

In the interest of shared responsibility for the improvement and maintenance of global public health and out of solidarity toward other donor countries, China, Germany and Japan need to show strong support for the Global Fund in the Fifth Replenishment Round by increasing their contributions to levels commensurate with their global economic standing. This would be a sound investment from an economic, as well as humanitarian standpoint. Healthier countries are more productive, foster greater levels of innovation, tend to be more politically stable, and as a result require less long-term foreign assistance.

The Return on Investment, or the Price of Doing Nothing

The upfront cost of increased contributions to the Global Fund may seem risky at this time to some countries. Germany is embroiled in the European migrant crisis. China is dealing with volatility in domestic stock markets. Japan is trying to address the effects of the strengthening yen. Notwithstanding these temporary problems, the donors have a critical opportunity to leverage their underlying economic strengths to realize substantial returns in addressing AIDS, tuberculosis and malaria epidemics.

After fighting AIDS for 30 years, the world is facing a simple binary choice. According to UNAIDS's "Fast-Track" initiative, if global AIDS funding remains as flat as it has been for the past several years, new HIV infections and AIDS-related deaths in low- and middle-

¹⁰ AHF analysis of the GFATM Pledges & Contributions data.

¹¹ AHF analysis of population data obtained via IndexMundi.com and the GFATM Pledges & Contributions data.

income countries will continue to rise. This will lead to increased long-term need for HIV treatment and higher costs.¹²

Alternatively, if there is a rapid scale up in treatment access and funding through 2030, the rate of new infections and deaths is expected to drop precipitously. Under this model, UNAIDS estimates that the rate of new infections would fall below the rate of AIDS-related deaths. This scenario would lead to savings of \$24 billion in additional costs for HIV treatment and is expected to yield a 15-fold return on investment.

From an economic standpoint, there is overwhelming evidence to support increased investment in the global response to AIDS, tuberculosis and malaria. UNAIDS's "Fast-Track" findings are backed up by research from the Copenhagen Consensus, a leading think tank of international economists, which includes seven Nobel Laureates.

In assessing the post-Millennium Development Goal (MDG) targets, the Copenhagen Consensus has determined that investment in meeting the Malaria eradication target would yield a return of \$36 for every \$1 invested; investment in TB would yield a return of \$43 for every \$1 invested; and for HIV, the combined return on prioritizing antiretroviral treatment and scaling up voluntary male circumcision in hyper-endemic countries would yield a combined return of \$38 for every \$1 invested.¹³

While the savings realized through these investments would most directly benefit the countries highly impacted by the three epidemics, the reduction in the global disease burden would have an overall positive impact on global economic growth. Global commerce, like infectious diseases, extends beyond the borders of individual states.

China, and to a lesser extent Japan and Germany, have benefited tremendously from access to Africa's natural resources and markets. In 2013, the value of goods traded between the African countries and China, Germany and Japan amounted to \$156 billion, \$40.4 billion and \$25.3 billion respectively.¹⁴ As the middle class in Africa expands, the continent offers a prospect for new markets and trade partnerships, but the expansion of economic development will be linked to the development of health infrastructure and public health services.

On the macro-economic level, it is estimated that AIDS could reduce the rate of economic growth from 0.56% to 1.47%.¹⁵ According to some models, in countries with generalized epidemics with HIV prevalence above 20%, GDP is estimated to be 2.6% lower per year.¹⁶ The empirical research on the economic impact of AIDS is limited and somewhat dated, thus the estimates could be too low. We do know that HIV rates peak in populations of working age, who also comprise the most active part of the consumer and tax bases.

¹² "Fast-Track: Ending the AIDS Epidemic by 2030," UNAIDS, <http://goo.gl/8wYbhu>, (Accessed February 2016).

¹³ "Post-2015 Consensus: Health – Infectious Diseases," The Copenhagen Consensus, <http://goo.gl/KrNOV1>, (Accessed February 2016).

¹⁴ "China in Africa: One among many," *The Economist*, <http://goo.gl/QkgSLU>, (January 17, 2015)

¹⁵ Salim Karim, Quarraisha Karim, *HIV/AIDS in South Africa*. (Cambridge University Press, South Africa, 2005), 407-409.

¹⁶ Robert Greener, "AIDS and Macroeconomic Impact," *State of the ART: AIDS and Economics*, International AIDS-Economics Network, <http://goo.gl/ZchuH2>, (July 2002).

Given the negative impact of AIDS, tuberculosis and malaria on trade and economic growth of developing countries, along with the potential need for greater expenditure in the future if nothing is done to slow the growth of new infections, investment in the global response to the three epidemics is a win-win proposition for donors and recipient countries.

Along with the economic benefits that developed countries reap from investing in foreign assistance, it is important not to discount the power of good will and moral capital generated through cooperation and aid, particularly in the sphere of public health. While good will toward external actors and internally within the populations of the donor and recipient countries cannot be readily quantified, it is an indispensable part of diplomacy. It facilitates political negotiations and ensures a greater degree of popular support in international relations. Thus, investing in the global response to AIDS, tuberculosis and malaria is not only economically advantageous, but is also the right thing to do from a moral standpoint.

Conclusion

The Global Fund is the largest multilateral public health aid program in the world with a proven track record in implementing results-oriented programs. Its focus on women and girls fills a critical gap that few other programs address. Millions of people are alive today because of it. Increased contributions by China, Germany and Japan would serve as a vote of confidence by the world's leading economies in the Global Fund's mission and a signal to other donors that they must do their part by stepping up their contributions.

China, Germany and Japan all have representation on the Global Fund Board of Directors. As members of the Board, these countries are stewards of the Fund and thus have a responsibility to ensure it has sufficient resources to fulfill its obligations and mission. Countries that are not willing to uphold these duties or substantially step up their contributions should not have a seat at the decision-making table.

If donors waver in their commitments during the Fifth Replenishment Round, the long-term viability of the Global Fund will be in jeopardy. In turn, the loss of confidence in the Fund could lead to a complete unraveling of the global, coordinated response to the three epidemics. After billions of dollars and immeasurable human efforts have been invested into halting the spread of AIDS, TB and malaria, a retreat at this pivotal moment in history would be an unacceptable humanitarian disaster.

On moral and economics grounds the world simply cannot afford to give up now. Inaction and flat-funding will see the world slide back into the darkest days of the epidemic, with accelerating rates of new infections and mortality. If funding is not scaled up rapidly until 2020, the long-term costs will far outweigh the modest increases in funding that are needed right now.

On behalf of civil society, patients and advocates, we strongly urge China, Germany and Japan to fully commit to ensuring that the Fifth Replenishment Round of the Global Fund is successful, by stepping up their contributions in line with their position as the world's leading economies. These states must lead by example in helping to shore up support for the Global Fund.