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25 June 2003**

## **PROGRAMME COORDINATING BOARD**

**Fourteenth Meeting  
Geneva, 26-27 June 2003**

**Report on the State of HIV/AIDS Financing  
(Revised/Updated June 2003)**

**UNDER EMBARGO UNTIL 26 JUNE 2003, 1300 GMT**

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## INTRODUCTION

This paper updates the Conference Paper on the same subject presented at the Twelfth meeting of the UNAIDS Programme Coordinating Board.<sup>1</sup>

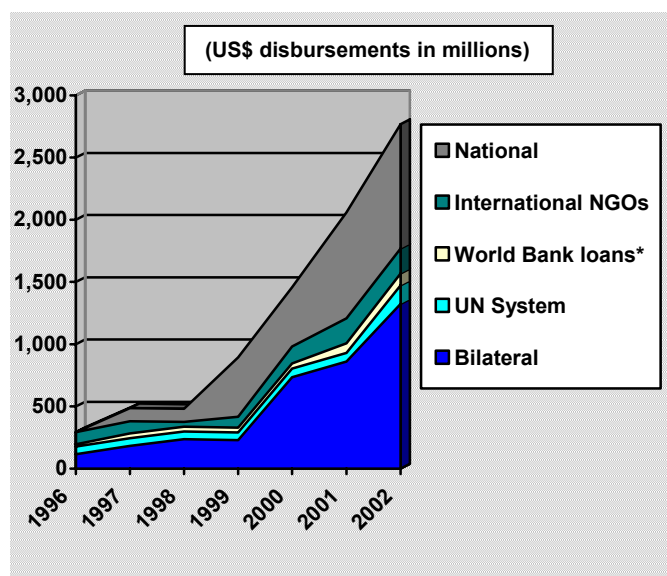
The past year has seen significant further increases in international financial commitments to HIV/AIDS work in the developing world.

The Secretary General's call to reach annual HIV/AIDS spending of US\$10 billion by 2005 is underpinned by a number of programmatic and financial assumptions. Important among these is the definitional premise, based on overall relative economic capacity, that one-half to two-thirds of necessary HIV/AIDS financing in the developing world will need to derive from external sources.

## SUMMARY OF CONCLUSIONS

Based on analysis of data collected to date from DAC<sup>2</sup> government, U.N. System organization, Development Bank, foundation and NGO, international HIV/AIDS spending in developing countries and countries in transition grew significantly from 1996 through 2002, to a total of nearly US\$1.8 billion. At the same time, national spending on the part of affected-country governments is estimated to have approached US\$1 billion. Figure 1 illustrates these trends.

Figure 1. Institutional HIV/AIDS spending 1996-2002



\*Grant component of concessional loan disbursements.

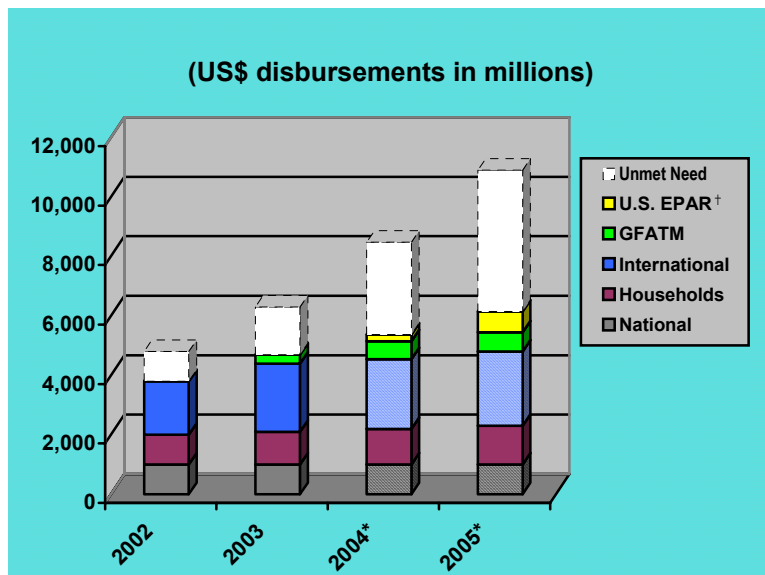
It can already be anticipated that data for the year 2003 will show still further increases. Based on analysis of budgets approved by legislatures or forecast thus far, new institutional availability is likely to exceed US\$3.6 billion for 2003. Additionally, it has

<sup>1</sup> UNAIDS/PCB(12)02, Conference Paper 2.

<sup>2</sup> Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD).

been estimated that household spending in middle-income countries will exceed US\$1 billion.<sup>3</sup> There are as yet, however, few indications of budgetary actions sufficient to fund anything approaching programming capacity levels anticipated for 2004 and beyond. Figure 2 summarizes the current projections of the 2002-2005 funding situation.

Figure 2. Projected HIV/AIDS resource availability 2002-2005.



† Emergency Plan for AIDS Relief.  
 \* Projected.  
 Shaded = Budgets not yet established.

### TRENDS IN HIV/AIDS RESOURCE FLOWS

Since 1999, the UNAIDS Secretariat has participated in an ongoing collaboration with UNFPA and the Netherlands Interdisciplinary Demographic Institute (NIDI) – the ‘Resource Flows Project’. Under the aegis of this collaboration, financial data are collected concurrently to track follow-up of both the ICPD<sup>4</sup> and the UNGASS Declaration of Commitment on HIV/AIDS.<sup>5</sup> Data collection is undertaken annually for international donors and biennially on domestic resource flows in developing countries and countries in transition. The agreement underlying this collaboration runs through 2003. Since March 2001, the Secretariat has also supplemented this work with direct inquiries as needed.

<sup>3</sup> Estimates of household spending modelled using reported data for 15 middle-income countries and derivatives for 42 others.

<sup>4</sup> International Conference on Population and Development, Cairo, 1995.

<sup>5</sup> Started in data collection efforts for fiscal year 2001.

Table 1 provides a partial overview of data acquired both via the NIDI data collection efforts between 1996 and 1999, and other work from 2000 onwards:

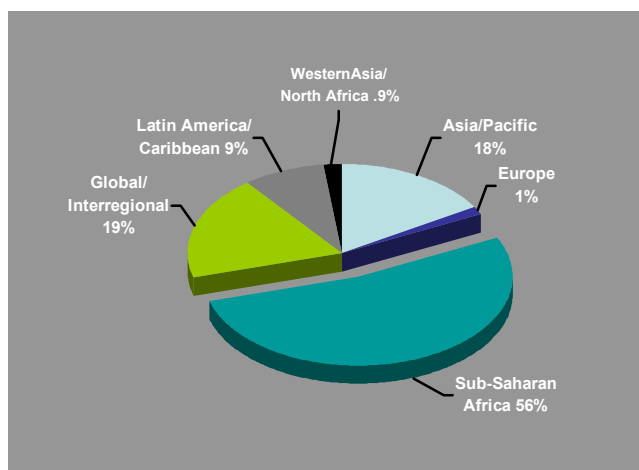
**Table 1. International HIV/AIDS spending 1996-2002.**  
 (US\$ HIV/AIDS program disbursements in millions)

	1996	1997	1998	1999	2000	2001	2002
<b>Bilateral &amp; EC</b>	116	183	237	229*	735	860	1,323
<b>International Foundations/NGOs</b>	96	97	37	87	136	200	200
<b>UN System<sup>6</sup></b>	60	60	60	60	70	70	150
<b>World Bank Loans<sup>†</sup></b>	25	25	25	35	35	78	95
<b>TOTAL</b>	<b>297</b>	<b>365</b>	<b>359</b>	<b>411</b>	<b>976</b>	<b>1,208</b>	<b>1,768</b>

\*1999 bilateral data incomplete. †Grants and GEV of concessional loan disbursements.

In terms of geographic distribution, Sub-Saharan Africa has benefited from the largest percentage of HIV/AIDS assistance by International Donors, with Asia Pacific ranking second. Figure 3 provides a geographic breakdown of international funding for the most recent year (2000) for which such data are available.

**Figure 3. Regional distribution of HIV/AIDS ODA disbursements for selected donor countries.**



Recent exercises in collection of data on spending by affected-country national governments include UNAIDS' own in-country work, surveys undertaken through the Resource Flows project (executed in 2002), and ongoing UNAIDS-supported work carried out under the aegis of the SIDALAC<sup>7</sup> project. In the context of these exercises, governments reported 2001 or projected 2002 spending totalling US\$995 million, up from US\$105 million estimated six years earlier.

<sup>6</sup> Represents estimates only of funding not HIV/AIDS-designated by primary donors. UNSSP estimates of all flow-throughs total US\$1.6 billion for the period 1996-2000.

<sup>7</sup> Regional AIDS Initiative for Latin America and the Caribbean.

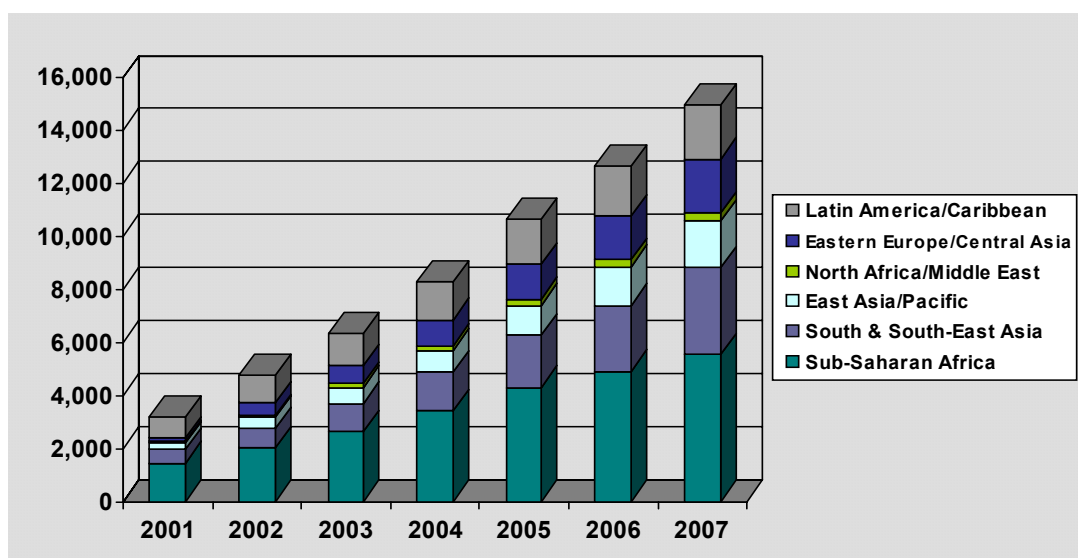
### ESTIMATES OF NATIONAL PROGRAMMING CAPACITY

Three analyses have been conducted over the last two years to estimate resource needs for HIV/AIDS. The Commission on Macroeconomics and Health (CMH) estimated the scaling up of resources needed in the form of a package of interventions to address HIV/AIDS and other illnesses in 83 low- and middle-income countries by 2007 and 2015. The CMH study suggested a need by the year 2007 for estimated additional spending of between US\$13.6 billion and US\$15.4 billion on HIV/AIDS prevention and care, with the increase by 2015 reaching US\$20.6 billion to US\$24.9 billion.<sup>8</sup>

The paper “*Resource Needs for HIV/AIDS*,” authored by a UNAIDS-led collaboration and published during the spring 2001 lead-up to the United Nations General Assembly Special Session (UNGASS) on HIV/AIDS, set out estimates of national programming capacity totalling US\$9.2 billion by 2005.<sup>9</sup> As updated in the paper “*Financial Resources for HIV/AIDS Programmes in Low- and Middle-income Countries over the Next Five Years*,” the UNGASS work provides the principal basis for programming capacity against which resource availability is compared in this analysis.<sup>10</sup>

The UNAIDS programming capacity analysis included a compilation of country-by-country projections of financing required to meet the policy goals set out in the Declaration of Commitment approved at the UNGASS in July 2001. Required programme coverage was calculated on the basis of country-specific HIV/AIDS prevalence, and unit costs of a package of interventions for each country. Total resources required to finance the estimates of national programming capacity thus compiled are projected to amount to approximately US\$10.7 billion by 2005 and US\$14.9 billion by 2007, disaggregated as follows:

**Figure 4. Projected Annual HIV/AIDS Financing Needs by Region (US\$ in millions)**



<sup>8</sup> WHO, “*Investing in Health for Economic Development*,” report of the Commission on Macroeconomics and Health, Geneva, 2001. Includes costs attributable to capacity-building.

<sup>9</sup> Schwartlander, et. al., *op cit*.

<sup>10</sup> Submitted to the UNAIDS Program Coordinating Board at its 13<sup>th</sup> meeting, December 11-12, 2002.

Consistent with this analytical framework, programming capacity is projected to gradually ramp up, from US\$4.7 billion in 2002 to US\$6.3 billion in 2003 and US\$8.3 billion in 2004. In this context the term “limitations on programming capacity” is taken to refer to impediments such as inadequacies of capital infrastructure (e.g. physical health facilities and transportation assets) or in human capacity, (e.g. in terms of underavailability of trained health-care personnel.

The June 2001 analysis also assumed that some degree of domestic financing would be universal. Variances in domestic financing prospects are significant among both economic categories of countries and regions, with an assumption that in Africa, for example, 80 per cent of HIV/AIDS programming would require external financial support. In the aggregate, however, it was assumed that a minimum of approximately one-third of necessary financing could reasonably be mobilized domestically. The residual two-thirds would be source-attributable to international donors, public and private.

#### ANALYSIS OF CURRENT SPENDING

Applying this ratio to the above-cited 2003 and 2004 programming capacity estimates translates into a need for international financing of US\$4.2 billion and US\$5.6 billion respectively, assuming optimal distribution of resources. Current trends indicate that DAC governments, multilateral institutions (including U.N. system organizations) and international foundations and NGOs are on track to exceed a US\$2 billion mark for 2003, and over half of the US\$5.6 billion mark for 2004. Financing – exceeding US\$2 billion – to meet remaining 2003 capacity is largely unidentified. Table 3 summarizes the 2001-2002 situation in terms of documented and projected international spending *for which funding is appropriated/available*:<sup>11</sup>

**Table 2. Documented and projected international HIV/AIDS spending for which funding is appropriated/available.**

(US\$ projected HIV/AIDS program disbursements in millions)

	2000	2001	2002	2003
<b>G-7</b>	536	647	1,045	1,336
<b>Other DAC &amp; EC</b>	199	213	278	300
<b>U.N. System</b>	70	70	150	350
<b>World Bank</b>	35	78	95	120
<b>GFATM</b>	-	-	-	300
<b>Foundations/NGOs</b>	136	200	200	200
<b>TOTAL PROJECTED DISBURSEMENTS</b>	<b>976</b>	<b>1,208</b>	<b>1,768</b>	<b>2,606</b>

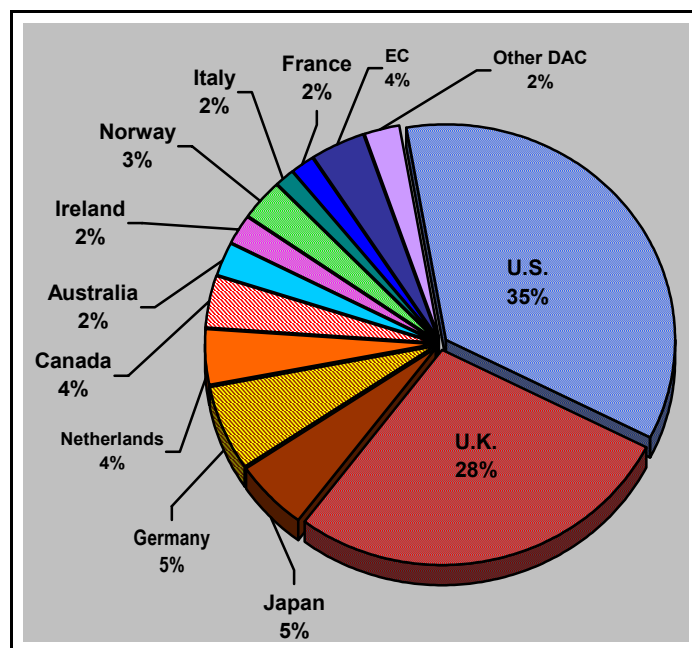
<sup>11</sup> The term “appropriated/available” applies only to amounts for which all necessary statutory action -- in terms of appropriations, *lois des finances*, supply bills or similar measures approved by legislatures -- and all prerequisite budget execution actions (such as apportionment, allocation or the equivalent) are complete.

The magnitude (167%) of projected disbursement increases from 2000 to 2003 is, in percentage terms, obviously significant.<sup>12</sup> In terms of 2003 bilateral programming, over 95 per cent of known projected disbursements is attributable to the top dozen donors, as follows:

**Table 3/Figure 5. 2003 projected disbursements by top bilateral donors.**

(US\$ in millions)

	Budgeted	Projected Disbursements
U.S.	838.3	576.8
U.K.	408	452.1
Germany	133.7	107.1
Japan	95	85
Canada	93.8	66.3
EC	93.2	65
Netherlands	82	65
Norway	50.8	50.8
Ireland	44.9	40
Australia	39	39
Italy	36.4	25.0
France	36.3	25.0
Other	49.5	40
<b>TOTAL</b>	<b>2,000.9</b>	<b>1,637.1</b>



In the cases of all of the G-7 and ten of the other DAC governments analyzed, the increases have been supplemented by disbursements deriving from first- or second-year GFATM (Global Fund to Fight AIDS, Tuberculosis and Malaria) pledges. With few exceptions, all GFATM pledges have been documented to be additive to baseline HIV/AIDS funding. The EC has also disbursed €120 million to the GFATM.

Expectations regarding how much of the HIV/AIDS financing gap will be closed by GFATM expenditures have been adjusted by projections of Fund resources to be allocated to tuberculosis- and malaria-related activities. The preceding assumes that committed resources will be made available to the Fund on a timely basis, and that necessary fiduciary arrangements will be concluded in a sufficient number of countries, to enable disbursements this year against a substantial number of the approximately US\$1.5 billion worth of HIV/AIDS grants approved by the Fund's Board thus far.

35 governments and the EC were documented to have made actual disbursements to the Fund totalling over US\$1 billion as of June 1. More than US\$100 million in private

<sup>12</sup> New budget authority totalled US\$1.675 billion for 2001, US\$2.0 billion for 2002 and over US\$2.5 billion for 2003. Projected disbursements overlap budget years, owing primarily to U.S., U.K., German, French and Netherlands forward-funding constructs: First-year U.S. and German ODA spendout rates, in particular, characteristically fall into the ten-percent range, with the balance committed against the outyears of multiyear projects.

funding has also been collected. In addition, the amounts of money available to governments for immediate disbursement and specifically identified for fulfilment of 2002-2003 pledges are likely sufficient to meet current expectations of 2003-04 Fund expenditures.<sup>13</sup>

Tables 4 & 5/Figure 6 summarize availability of Fund pledges by year and source:<sup>14</sup>

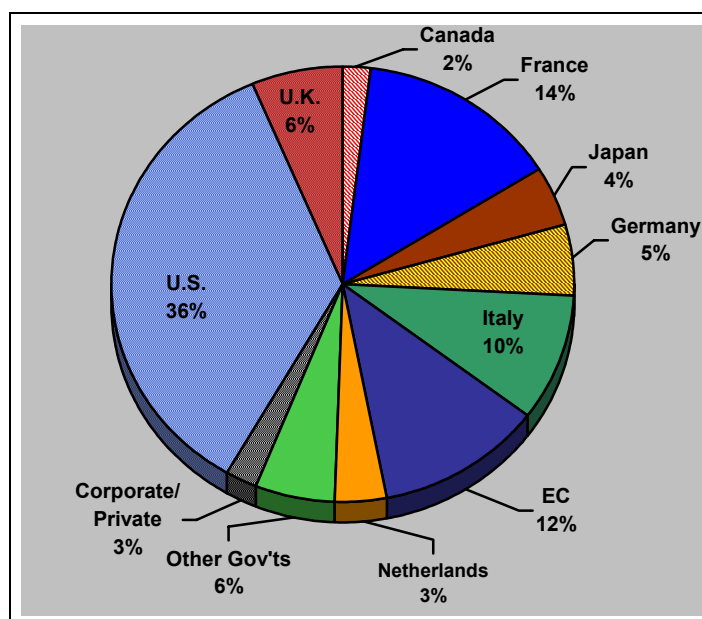
**Availability of GFATM Pledges by Fiscal Year**

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DONOR	US\$ Equivalent Total	Deposited	Available/ Undeposited 2003	Pledged			
				2004	2005	2006	2007-8 or Unknown
<b>GOVERNMENTS</b>	\$4,481,694,571	\$1,378,436,065	\$349,871,512	\$847,448,583	\$777,144,255	\$554,233,333	\$572,688,823
<b>PRIVATE ORGANIZATIONS/INDIVIDUALS</b>	\$104,595,436	\$104,595,436	\$0	\$0	\$0	\$0	\$0
<b>TOTAL AVAILABILITY (gross)</b>	<b>\$4,586,290,007</b>	<b>\$1,483,031,501</b>	<b>\$349,871,512</b>	<b>\$847,448,583</b>	<b>\$777,144,255</b>	<b>\$554,233,333</b>	<b>\$572,688,823</b>

**Identified Global Fund Pledges by Source**

	(US\$ in millions)
<b>U.S.</b>	<b>1,622.5</b>
<b>France</b>	<b>648</b>
<b>EC</b>	<b>538</b>
<b>Italy</b>	<b>436</b>
<b>U.K.</b>	<b>283</b>
<b>Germany</b>	<b>236</b>
<b>Japan</b>	<b>200</b>
<b>Netherlands</b>	<b>159</b>
<b>Canada</b>	<b>100</b>
<b>Other</b>	<b>259.2</b>
<b>Private</b>	<b>104.6</b>
<b>TOTAL</b>	<b>4,586.3</b>



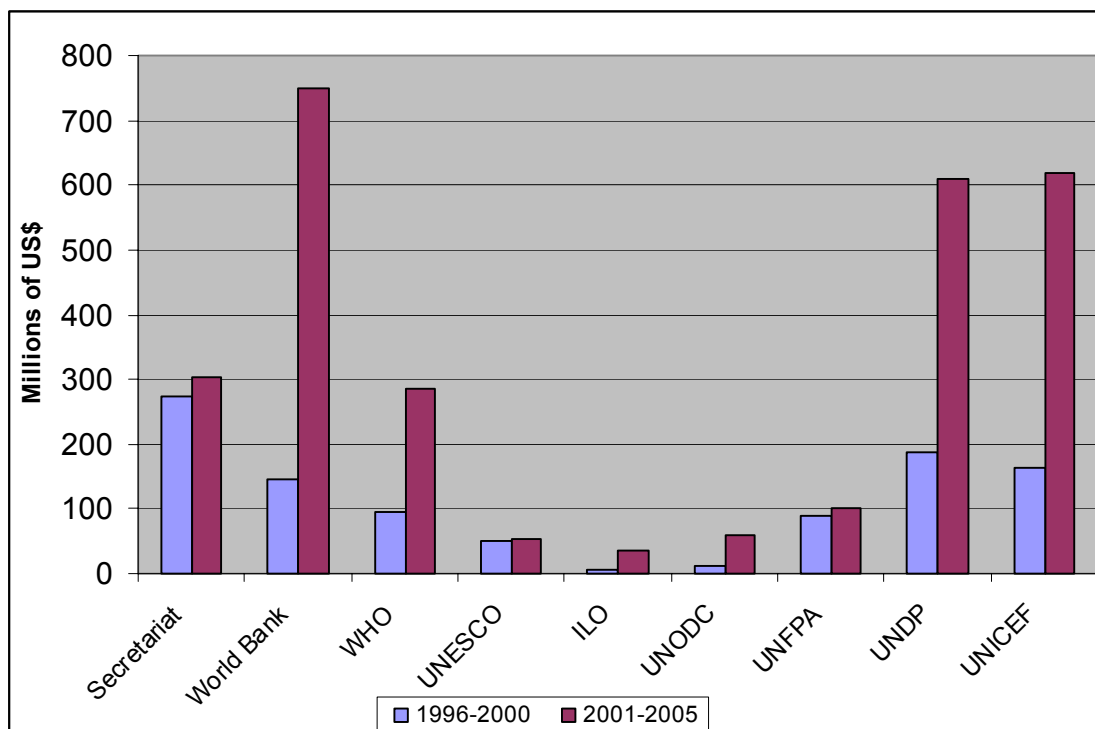
U.N. system organization HIV/AIDS spending by selected agencies, according to the UBW and updated UNSSP reporting, can be expected to total in the range of US\$550 million in 2003. Of this amount, however, only about US\$350 million -- corresponding significantly to regular budget spending supported by undesignated treaty contributions -- can be considered multilateral in origin. The remainder is HIV/AIDS designated by and attributed to contributing governments for tracking purposes.

<sup>13</sup> See note 11.

<sup>14</sup> Complete supporting data see table at Attachment 1.

Figure 7 illustrates UNSSP estimates of Cosponsor spending during the period 2001-2005, compared with the prior quinquennium.

Figure 7. UNSSP Cosponsor funding 1996-2005.



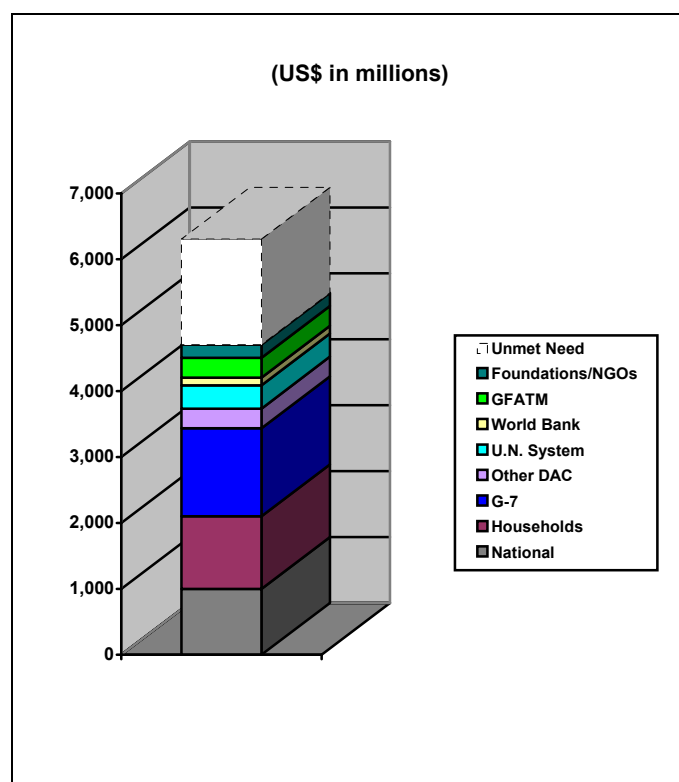
World Bank concessional loan disbursements are projected to total in excess of US\$95 million in grant-equivalency value during the bank's 2002 fiscal year which will end July 1. The regional development banks (MDBs) are another significant potential source of funding in the form of concessional loans. As of now, however, documented MDB HIV/AIDS activities consist of isolated loans and medium-sized grants.

Involvement of some other U.N. agencies in HIV/AIDS work has also been important. Notable among these, the World Food Program reported nearly \$200 million in 2002 HIV/AIDS expenditures. The U.N. Fund for International Partnerships (UNFIP), was instrumental in early activity to facilitate and receive private GFATM contributions in advance of the Fund's establishment, and has provided advocacy and public-private partnership support to U.N. system work on HIV/AIDS.

Data on HIV/AIDS spending by international foundations and NGOs are incomplete. The UNAIDS Secretariat was able to document a total of some US\$136 million in such spending in the context of year 2000 survey activities, focused on some 20 international foundations and NGOs known to execute significant HIV/AIDS disbursements. Similarly, reports of national spending by developing-country governments have been noted but have not been systematically reviewed using the procedures and analytical criteria applied to international donor spending.

Data limitations acknowledged, the UNAIDS Secretariat projects, as of this writing, that year 2003 global HIV/AIDS spending in developing countries and countries in transition will total nearly US\$4.6 billion, against programming capacity of US\$6.3 billion. Figure 8 summarizes this situation:

**Figure 8. 2003 HIV/AIDS Programming capacity vs. projected availability.**



In terms of programming effectiveness, although a certain amount of misallocation must be assumed, UNAIDS coverage estimates indicate a high degree of correlation between the total resources tracked and the expected level of services that these resources should translate to. Among other inferences, this would appear elementarily to suggest:

- First, that as long as the financing gap remains significant, available funds will continue to flow to priority interventions, with a reasonably high degree of allocative efficiency;
- Second, however, that allocative efficiency should be expected to decline as availability grows, intensifying the need for effective program coordination; and,
- Third, that household spending in most poor countries – which has been documented only anecdotally and for which data are insufficient to develop global estimates – is, as suspected, meeting an inappropriate share of total need.

#### SYSTEMIC ISSUES AND FUTURE ACTIONS

As indicated previously, the rapidly evolving state of the HIV/AIDS crisis and programming to address it has evoked needs for much more current financial data. This report represents UNAIDS' second annual effort to compile projection reporting – i.e.

the systematic collection of information on estimates of future spending – for HIV/AIDS financing. This enables coordinated knowledge of what financing entities have already decided to spend this year and next, as opposed to what they spent in the last complete fiscal year.

The UNAIDS Secretariat has continued parallel work to identify technical financial-structural impediments to improving future resource tracking. Variances in accounting and budgeting constructs have been shared among U.N. and bilateral aid agency finance officials and some changes have been adopted across agency lines with a degree of success. Among U.N. agencies, the coordinating effect of the Joint Programme has translated into compatible recording practices applicable among the Cosponsors as far as UBW core and supplemental resources are concerned at the global and regional level.

Outside the UBW framework, however, disconnects between policy decision-makers and financial administrators still remain to be addressed in both bilateral and multilateral financing agencies. Some U.N. agency budgets are still presented to boards without budget-line specification of HIV/AIDS spending projections, even when HIV/AIDS figures prominently in accompanying justifications and presentations. It is unclear to what extent agency Board members have requested budgetary reformulation to clarify HIV/AIDS related expenditures.

A number of significant issues remain to be resolved if future resource tracking work is to be of the quality required to assist in guiding the response to the epidemic. They include:

- **Private sector tracking.** Data collection and analysis regarding corporate, foundation, NGO and charity (including faith-based) expenditures is largely anecdotal, and needs methodological strengthening. In some countries such spending, though significantly undocumented, may in fact constitute the largest components of available financing. In addition, consensus needs to be developed on methodological conventions regarding the financial value of in-kind programming.
- **Financial systems improvement.** Proprietary financial systems in many affected developing countries remain generally substandard to the overall task inventory of government finance. The World Bank has determined a majority of affected-country financial systems to be in need of improvement. Where work is undertaken to this end, HIV/AIDS budget- and expenditure-tracking capacities need to be integrated into reconstructed systems.
- **HIV/AIDS Resource-tracking work in general needs improved coordination and prioritization, in order to minimize gaps and possible duplications.**

### Future Actions

The Secretariat will continue to annually report to the PCB on the state of international HIV/AIDS financing and on actions taken to improve resource tracking. Establishment of a “UNAIDS Financial Information Consortium” (UNFIC) is under consideration to address coordination issues.

Attachment 1.

Availability of GFATM Pledges by Fiscal Year

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DONOR	US\$ Equivalent Total	Deposited	Available/ Undeposited 2003	Pledged			2007-8 or Unknown
				2004	2005	2006	
<b>GOVERNMENTS</b>	<b>\$4,481,694,571</b>	<b>\$1,378,436,065</b>	<b>\$349,871,512</b>	<b>\$847,448,583</b>	<b>\$777,144,255</b>	<b>\$554,233,333</b>	<b>\$572,688,823</b>
Andorra	\$100,000	\$100,000					
Austria	\$1,075,900	\$1,075,900					
Belgium	\$21,240,000	\$12,207,409	\$7,160,591				
Burkina Faso	\$75,000	\$75,000					
Cameroon	\$100,000						\$100,000
Canada	\$100,000,000	\$57,054,924	\$22,000,000	\$20,945,076			
Denmark	\$14,816,511	\$14,816,511					
European Commission	\$538,264,384	\$137,064,385		\$133,733,333	\$133,733,333	\$133,733,333	
France	\$648,310,000	\$117,310,000		\$177,000,000	\$177,000,000	\$177,000,000	
Germany	\$236,000,000	\$11,995,200	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$84,004,800
Ireland	\$12,982,660	\$12,982,660					
Italy	\$436,000,000	\$108,600,000	\$91,400,000	\$118,000,000	\$118,000,000		
Japan	\$200,000,000	\$80,400,000	\$85,000,000	\$34,600,000			
Kenya	\$8,300	\$8,300					
Kuwait	\$1,000,000		\$1,000,000				
Liberia	\$25,000						\$25,000
Liechtenstein	\$100,000	\$100,000					
Luxembourg	\$3,540,000	\$2,132,320		\$1,407,680			
Monaco	\$100,000	\$100,000					
Netherlands	\$159,300,000	\$16,174,800	\$40,000,000	\$40,000,000	\$63,125,200		
Niger	\$50,000						\$50,000
Nigeria	\$9,999,914	\$9,080,914					\$919,000
Norway	\$17,962,003	\$17,962,003					
Poland	\$10,000	\$10,000					
Russia	\$19,655,054	\$2,000,000	\$2,655,054	\$5,000,000	\$5,000,000	\$5,000,000	
Rwanda	\$1,000,000						\$1,000,000
Saudi Arabia	\$10,000,000	\$1,250,000	\$1,250,000	\$2,500,000	\$2,500,000	\$2,500,000	
Spain	\$50,000,000	\$35,000,000		\$15,000,000			
Sweden	\$77,120,823	\$33,858,328	\$20,000,000	\$23,262,495			
Switzerland	\$10,000,000	\$5,594,133	\$4,405,867				
Thailand	\$5,000,000	\$1,000,000		\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
U.K.	\$282,590,023	\$78,214,278	\$40,000,000	\$40,000,000	\$41,785,722		\$82,590,023
U.S.	\$1,622,250,000	\$622,250,000		\$200,000,000	\$200,000,000	\$200,000,000	\$400,000,000
Uganda	\$2,000,000						\$2,000,000
Zambia	\$19,000	\$19,000					
Zimbabwe	\$1,000,000						\$1,000,000
<b>PRIVATE ORGANIZATIONS/INDIVIDUALS</b>	<b>\$104,595,436</b>	<b>\$104,595,436</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
International Olympic Committee	\$100,000	\$100,000					
Winterthur Insurance (Credit Suisse)	\$1,000,000	\$1,000,000					
Bill and Melinda Gates Foundation	\$100,000,000	\$100,000,000					
Taiwan	\$1,000,000	\$1,000,000					
ENI, SpA	\$500,000	\$500,000					
Other	\$1,995,436	\$1,995,436					
<b>TOTAL AVAILABILITY (gross)</b>	<b>\$4,586,290,007</b>	<b>\$1,483,031,501</b>	<b>\$349,871,512</b>	<b>\$847,448,583</b>	<b>\$777,144,255</b>	<b>\$554,233,333</b>	<b>\$572,688,823</b>