House of Commons
International Development Committee

DFID’s contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria

First Report of Session 2012–13

Volume I: Report, together with formal minutes, oral and written evidence

Additional written evidence is contained in Volume II, available on the Committee website at www.parliament.uk/indcom

Ordered by the House of Commons
to be printed 15 May 2012
The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development.

Current membership

Rt Hon Malcolm Bruce MP (Liberal Democrat, Gordon) (Chairman)
Hugh Bayley MP (Labour, York Central)
Richard Burden MP (Labour, Birmingham, Northfield)
Mr Sam Gyimah MP (Conservative, East Surrey)
Richard Harrington MP (Conservative, Watford)
Pauline Latham MP (Conservative, Mid Derbyshire)
Jeremy Lefroy (Conservative, Stafford)
Mr Michael McCann MP (Labour, East Kilbride, Strathaven and Lesmahagow)
Alison McGovern MP (Labour, Wirral South)
Anas Sarwar MP (Labour, Glasgow Central)
Chris White MP (Conservative, Warwick and Leamington)

The following members were also members of the committee during the parliament:

Mr Russell Brown MP (Labour, Dumfries, Galloway)
Mr James Clappison MP (Conservative, Hertsmere)
Ann McKechin MP (Labour, Glasgow North)

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/parliament.uk/indcom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are David Harrison (Clerk), Marek Kubala (Second Clerk), Louise Whitley (Inquiry Manager), Rob Page (Committee Specialist), Anita Fuki (Senior Committee Assistant), Annabel Goddard (Committee Assistant), Paul Hampson (Committee Support Assistant) and Nicholas Davies (Media Officer).

Contacts

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Summary

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created in 2002 to increase funding to tackle three of the world’s most devastating diseases. It has approved $22.6bn (£14.1bn) for programmes in 150 countries and is estimated to have helped save millions of lives. The Global Fund was given a high rating in the UK’s Multilateral Aid Review, published in March 2011, after which the Secretary of State for International Development announced the UK would increase its contribution significantly. More than a year later, however, the Department for International Development (DFID) is yet to deliver these additional funds or confirm how much it will contribute.

This delay has coincided with the most difficult period in the Global Fund’s history, with lower than expected donor contributions, negative publicity concerning fraud, the resignation of its Executive Director and the implementation of major reforms. In November 2011 the Global Fund cancelled its eleventh round of grant-making (“Round 11”), due to fears of inadequate funding. NGOs argue that the cancellation of Round 11 poses a “significant threat to millions of lives”, although this is disputed by the Secretary of State. We held a short inquiry in view of the serious consequences of the developments at the Global Fund, with a particular focus on the role of DFID.

Our key findings are:

- The Global Fund is invaluable; it needs to overcome its problems and return to full operation as soon as possible;
- There are diametrically opposed views about the impact of the cancellation of Round 11 on people in developing countries. An independent impact assessment of the cancellation of Round 11—endorsed by the Global Fund, DFID, other key donors and leading NGOs—should be undertaken to help inform future policy and programming;
- The speedy appointment of a permanent Global Fund Executive Director is important for confidence;
- DFID is a key partner whose increased contribution to the Global Fund could unlock funds from other donors. It should do all possible to commit additional funds earlier than 2013 by prioritising its assessment of the Global Fund ahead of, and separately from, the broader update of the Multilateral Aid Review;
- The G20 meeting in Mexico in June provides a good opportunity for DFID to announce new funds, but only if the Department’s conditions are met and UK taxpayers’ money is adequately safeguarded.
1. We held oral evidence on 17 April 2012 with the Secretary of State for International Development, the Rt Hon Andrew Mitchell MP, about the Department for International Development’s (DFID) funding contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria (referred to here as “the Global Fund”). We also took evidence on that day from Mr Gabriel Jaramillo, the new General Manager of the Global Fund, from Aidspan (the Global Fund’s independent watchdog) and from non-governmental organisations (NGOs) representing the AIDS, TB and malaria communities.1 This short report sets out our views following that session.

2. The Global Fund was created in 2002 to increase funding to tackle three of the world’s most devastating diseases.2 It has earned a reputation over the past decade as an effective international financing institution and claims to have helped save millions of lives.3 It currently provides about 65% of all international financing for TB and for malaria and 21% for AIDS.4 Mr Jaramillo told us that the Global Fund was “the one institution that can link money to lives saved more directly than any other that exists in the landscape”.5 The Secretary of State believed that the Global Fund had delivered “extraordinary results over the past ten years”.6 DFID’s Multilateral Aid Review (MAR), published in March 2011, rated the Global Fund as one of the highest-performing multilateral organisations, which gave “very good value” to the taxpayer and had “very high standards for financial management and audit”.7 Following this positive assessment, the Secretary of State announced that the UK—which is the Global Fund’s third largest donor—would “significantly increase” its contribution to the Fund. This is in addition to £384m already pledged between 2012 and 2015.8 But, more than a year since the MAR, DFID is yet to deliver these additional funds or confirm how much it will contribute.

3. This delay has coincided with the worst period in the Global Fund’s history. In November 2011 the Global Fund cancelled its eleventh round of grant-making (“Round 11”), which would have involved some $1.5bn (£930m) in expenditure, due to fears of inadequate funding. The global economic downturn, negative media coverage regarding fraud by some grant implementers (exposed in part, Aidspan argued, by the Global Fund’s commendable commitment to anti-corruption and transparency)9 and earlier forecasting

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1 We also received written evidence from 24 organisations. We are grateful to all those who contributed to our inquiry.
2 Kofi Annan, Secretary-General of the United Nations announced the idea of a “Global Fund” in April 2001.
3 Ev 33. DFID has said that the Global Fund has helped save 7.7 million lives in 150 countries (HC Deb, 20 February 2012, col 520W). The Global Fund One Campaign says the Global Fund has helped save 6.6 million lives (Global Fund website, 2012, http://onemillion.theglobalfund.org/) The Global Fund is currently revising the methodology with which it makes these estimates.
5 Q 2
6 Q 52
7 Department for International Development, Multilateral Aid Review, March 2011, pp 88, 177
8 Q 128m per annum in 2012, 2013 and 2014 (Q 48).
9 Q 37
inaccuracies\textsuperscript{10} contributed to the Global Fund reducing its estimate of likely contributions from donors. Some donors such as Germany temporarily suspended payments.\textsuperscript{11} The cancellation of Round 11 means that no new grants will be approved until 2014, although $9–10bn (£5.6–6.2bn) will still be spent over 2011–13 on existing contracts\textsuperscript{12} and a new “Transitional Funding Mechanism” (TFM) will continue funding “essential” prevention and treatment. The UK has assisted the Global Fund during this difficult period by bringing forward some of its contributions from future years.\textsuperscript{13}

4. Following the fraud reports, the Global Fund set up a High Level Panel to review how it identifies and manages risk in its grant-making. The reforms recommended by the Panel were drawn together under a Consolidated Transformation Plan, which the Board approved in November 2011 and is ongoing. In January 2012 Michel Kazatchkine stepped down as the Global Fund’s Executive Director, having effectively been pushed out by the Board.

5. We received a great deal of evidence from NGOs expressing concerns about the short and medium-term implications of the Global Fund’s financial problems, particularly the cancellation of Round 11, for people in developing countries. We were told the cancellation of all new grants until 2014 posed a “significant threat to millions of lives”.\textsuperscript{14} The Stop TB Partnership estimated that a quarter of a million people would be left without TB treatment over the next two years: it was stressed that TB was also highly contagious if left untreated.\textsuperscript{15} The UK Consortium on AIDS and International Development believed that the Global Fund and donors had “seriously underplayed the consequences of the crisis”: it estimated 55 countries had been planning to submit Round 11 proposals for HIV programmes.\textsuperscript{16} Analysis by the Roll Back Malaria Partnership estimated that more than 300 million people would not receive long-lasting insecticidal nets or malaria treatment, although the essential support provided by the TFM might provide for 30 million people.\textsuperscript{17} In general, the TFM itself was considered to be inadequate: it was described as a “mechanism for the status quo, not for scale up”.\textsuperscript{18} Several NGOs and other witnesses told us that DFID would struggle to meet its objectives for AIDS, TB and malaria in the absence of further funding (the Global Fund is the principle mechanism by which DFID disburses

\textsuperscript{10} Q 27. In particular, uncertainties about whether the USA would contribute the full $4 billion it had committed over three years.

\textsuperscript{11} Q 13. Germany subsequently made a payment.

\textsuperscript{12} Ev 18, para 6 [DFID]

\textsuperscript{13} In December 2010 the UK brought forward £100m of its pledge so that all proposals recommended for funding under Round 10 could be approved by the Global Fund Board. In March 2011 the UK made an additional contribution of £50m, to help with short-term funding challenges. In November 2011 the UK brought forward another £128m from the outer years of its pledge to try to help current financing challenges and allow all approved Round 10 grants to be signed. Ev 18, para 7 [DFID].

\textsuperscript{14} Ev w35, para 15 [Stop AIDS Campaign, Malaria No More UK, Results UK and White Ribbon for Safe Motherhood]

\textsuperscript{15} Unpublished data from March 2012. Cited in the UK Coalition to Stop TB’s written evidence (Ev 36, para 19). As an example, the UK Coalition to Stop TB told us that Tanzania relies on the Global Fund for about 40% of its TB funding and its grant will finish in November (Q 31).

\textsuperscript{16} Q 31

\textsuperscript{17} ibid.

\textsuperscript{18} Q 33 [UK Consortium on AIDS and International Development]
funding for the three diseases). The international community’s achievement of the Millennium Development Goals was also reported to be at risk.

6. Others, however, while appreciating the seriousness of the situation, were less pessimistic. The Secretary of State did not agree that the cancellation of Round 11 posed a significant threat to millions of lives and stressed that the Global Fund would continue to spend several billions of pounds in the coming years. He argued that DFID would still meet its HIV, TB and malaria objectives “partly through the Global Fund, partly through bilateral means and partly through other means”.

7. We questioned witnesses about future funding. Some donors, including the UK, are awaiting the completion of the Global Fund’s reform process before committing significant new funds. Mr Jaramillo assured us that he was driving through the Consolidated Transformation Plan reforms. The Executive Management team has been slimmed down from six people to three. He had re-assigned 75% of the Global Fund’s resources to grant management of activities in the field—which was consistent with “best practice in the development world”—and had reduced administrative costs at the Global Fund’s headquarters in Geneva, where he was “unclogging the pipes” following the build-up of ten years of rules and regulations. Aidspan believed that Mr Jaramillo’s performance to date had been “excellent” and the early signs of the reform process were “good”, although there was room for improvement in areas such as the Global Fund’s communications. The Secretary of State told us that Mr Jaramillo was reforming the Fund “brilliantly”, and was confident that the reforms would be completed by the end of 2012.

8. NGOs wanted DFID to announce its funding increase during the next few months, that is without waiting for the reform process to be completed. It was pointed out that the UK currently held the Chair of the Global Fund Board, which gave it additional influence over other donors. Some organisations, including the UK Consortium on AIDS and International Development and the UK Coalition to Stop TB, argued that DFID should commit an additional £384 million (that is, double the current pledge to 2015). This was thought to be a “fair share” given the UK’s size. We were told that the G20 meeting in Mexico on 18-19 June 2012 would be an “ideal opportunity” to announce new funds, creating a “catalyst” for other donors to follow. NGOs expressed concern that DFID would continue to wait for a year or more: “the longer the delay, the less likely any

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19 For example, UK Consortium on AIDS and International Development (Q 36), Dr Patricia Nkansah-Asamoah (Ev w27), World Vision UK (Ev w36), Stop AIDS Campaign (Ev w30)
20 Qq 35-36 [Roll Back Malaria Partnership; UK Coalition to Stop TB]
21 Qq 46–47
22 DFID [Ev 23, para 44]
23 Qq 3, 16
24 Q 38
25 Q 45
26 For example, the Stop AIDS Campaign, Malaria No More UK, RESULTS UK and the White Ribbon Alliance for Safe Motherhood (Ev w35, para 17). The post is held by Simon Bland, a senior DFID official who serves independently while Chair of the Board.
27 Ev 38, para 7; Q 43. See also Ev w35, para 19.
28 Ev 38, para 7 [UK Consortium on AIDS and International Development (TB/HIV Working Group)]. See also Ev w35, para 19.
additional funds will have an impact on achieving the MDGs”. Mr Jaramillo said that an increase by DFID would send a “fantastic message to the world” and drive other countries to follow its lead.30

9. We pressed the Secretary of State on DFID’s intentions. He reaffirmed that DFID would announce new funds “as soon as we feel we have confidence that the money will be well spent and that the British taxpayer can be assured that for every pound of their hard-earned money they get 100% of delivery on the ground”.31 He said this would happen after, first, the Global Fund had completed its reform process32 and, second, DFID had concluded its own “mini-MAR” process (to re-assess the performance of the multilateral institutions DFID funds), which was likely to be in early 2013,33 although he did not rule out an earlier announcement.34 He did not give a specific figure but said that, if these conditions were met, the UK could increase its contribution to the Global Fund “very substantially” in 2013, 2014 and 2015, by “up to double” the current £384 million pledge.35

The Secretary of State added that he would seek to maximise the contributions other donors provided to the Global Fund and so would announce any potential increase “at a time which raises the most amount of money for the Fund”.36

10. The Global Fund to Fight AIDS, Tuberculosis and Malaria is an invaluable international finance mechanism. It has been highly effective over the past decade in tackling three of the world’s most devastating diseases. Good progress has been made but there is still much work to do to eradicate these diseases in developing countries as far as possible. We are therefore concerned about the Global Fund’s recent funding problems and the cancellation of all new grants until 2014. Given the nature of these diseases, we fear that many gains achieved will be lost if the Global Fund does not overcome its recent difficulties and return to full operation as soon as possible.

11. We are concerned at the diametrically opposed views expressed in our evidence about the potential impact of the cancellation of Round 11. If mistaken, the NGOs views are alarmist; similarly, if mistaken, the Secretary of State’s view is complacent. We do not have sufficient evidence (including from those developing countries affected) to come to a conclusion about the full impact of the cancellation. But robust data of this kind will be necessary. An independent impact-assessment of the cancellation of Round 11—endorsed by the Global Fund, the Department for International Development, other key donors and leading NGOs—needs to be

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29 Qq 42, 44
30 Q 22
31 Q 52
32 The Secretary of State said that the Global Fund needed to reform its management structures to reflect that it had matured over the past ten years from being an “emergency programme” to a “more steady-state funder of country-based solutions” (Q 52).
33 He said “it will be that analysis of whether or not the British taxpayer will get value for money for this investment that will determine what could be a very significant uplift” (Q 52). DFID expects to complete the assessments in three batches between January and September 2013 with a report published in October 2013. Multilateral Aid Review, Department for International Development website, November 2011, www.dfid.gov.uk.
34 Q 64.
35 Ibid.
36 HC Debs, 20 February 2011, col 520W. See also Q 66.
undertaken to help inform future policy and programming. We urge DFID to work with international partners and NGOs to agree the scope of such a study.

12. The Global Fund is in need of structural and management reform. We are concerned about the findings of fraud by some Global Fund grant implementers, but recognise that the Global Fund’s welcome commitment to transparency and anti-corruption helped to identify these malpractices. We are impressed by the new General Manager of the Global Fund and our evidence suggests that the Global Fund is making good progress in reforming its management structures and monitoring of financial risk. We believe that a speedy appointment of a permanent Executive Director is important to instil confidence amongst donors.

13. DFID is a key donor and reliable partner to the Global Fund whose commitment could unlock other funds. While we strongly support the Secretary of State’s commitment to increase the UK’s contribution significantly to the Global Fund, subject to reform, we are concerned at the continuing delay in providing these funds. A further delay until 2013, as indicated by the Secretary of State, may put the lives of people in developing countries at risk. We strongly urge the Department to do all possible to commit funds earlier by prioritising its assessment of the Global Fund ahead of, and separately from, its broader update of the Multilateral Aid Review.

14. It cannot be reliant on DFID to support the Global Fund while a number of other donors who have considerable resources are not doing likewise. Other donors need to commit new funds if the Global Fund is to return to full operation speedily. DFID should announce its additional funding at a time which raises the most amount of money from other donors. The G20 meeting in Mexico presents a good opportunity to do so, provided the Department’s conditions are met and UK taxpayers’ money is adequately safeguarded.
Conclusions and recommendations

1. **The Global Fund to Fight AIDS, Tuberculosis and Malaria** is an invaluable international finance mechanism. It has been highly effective over the past decade in tackling three of the world’s most devastating diseases. Good progress has been made but there is still much work to do to eradicate these diseases in developing countries as far as possible. We are therefore concerned about the Global Fund’s recent funding problems and the cancellation of all new grants until 2014. Given the nature of these diseases, we fear that many gains achieved will be lost if the Global Fund does not overcome its recent difficulties and return to full operation as soon as possible. (Paragraph 10)

2. We are concerned at the diametrically opposed views expressed in our evidence about the potential impact of the cancellation of Round 11. If mistaken, the NGOs views are alarmist; similarly, if mistaken, the Secretary of State’s view is complacent. We do not have sufficient evidence (including from those developing countries affected) to come to a conclusion about the full impact of the cancellation. But robust data of this kind will be necessary. An independent impact-assessment of the cancellation of Round 11—endorsed by the Global Fund, the Department for International Development, other key donors and leading NGOs—needs to be undertaken to help inform future policy and programming. We urge DFID to work with international partners and NGOs to agree the scope of such a study. (Paragraph 11)

3. The Global Fund is in need of structural and management reform. We are concerned about the findings of fraud by some Global Fund grant implementers, but recognise that the Global Fund’s welcome commitment to transparency and anti-corruption helped to identify these malpractices. We are impressed by the new General Manager of the Global Fund and our evidence suggests that the Global Fund is making good progress in reforming its management structures and monitoring of financial risk. We believe that a speedy appointment of a permanent Executive Director is important to instil confidence amongst donors. (Paragraph 12)

4. DFID is a key donor and reliable partner to the Global Fund whose commitment could unlock other funds. While we strongly support the Secretary of State’s commitment to increase the UK’s contribution significantly to the Global Fund, subject to reform, we are concerned at the continuing delay in providing these funds. A further delay until 2013, as indicated by the Secretary of State, may put the lives of people in developing countries at risk. We strongly urge the Department to do all possible to commit funds earlier by prioritising its assessment of the Global Fund ahead of, and separately from, its broader update of the Multilateral Aid Review. (Paragraph 13)

5. It cannot be reliant on DFID to support the Global Fund while a number of other donors who have considerable resources are not doing likewise. Other donors need to commit new funds if the Global Fund is to return to full operation speedily. DFID should announce its additional funding at a time which raises the most amount of money from other donors. The G20 meeting in Mexico presents a good opportunity
to do so, provided the Department’s conditions are met and UK taxpayers’ money is adequately safeguarded. (Paragraph 14)
Formal Minutes

Tuesday 17 May 2012

Members present:

Hugh Bayley
Richard Burden
Mr Sam Gyimah
Jeremy Lefroy
Mr Michael McCann

Richard Burden took the Chair, in accordance with the Resolution of the Committee of 10 May 2012.

Draft Report (DFID’s contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria), proposed by Richard Burden, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 14 read and agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That Richard Burden make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

Written evidence was reported and ordered to be published on 17 April 2012 in the last Session of Parliament was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 12 June at 10.00 am]
Witnesses

Tuesday 17 April 2012

Gabriel Jaramillo, General Manager and Richard Manning, Chair of Mid-Term Replenishment Review, Global Fund to Fight AIDS, TB and Malaria  Ev 1

Alan Court, Chair of the Resource Mobilisation Committee, Roll Back Malaria Partnership, Mike Podmore, Chair of the UK Consortium on AIDS and International Development, Aaron Oxley, Member of Steering Committee, UK Coalition to Stop TB, and Bernard Rivers, Executive Director, Aidspan  Ev 5

Rt Hon Andrew Mitchell MP, Secretary of State, Department for International Development  Ev 12

List of printed written evidence

1 Department for International Development (DFID)  Ev 18: Ev 24: Ev25
2 Roll Back Malaria Partnership  Ev 26
3 Gabriel Jaramillo, General Manager, Global Fund to fight AIDS, TB an Malaria  Ev 33
4 UK Coalition to Stop TB  Ev 35
5 UK Consortium on AIDS & International Development – TB/HIV Working Group  Ev 38
6 Aidspan  Ev 41

List of additional written evidence

(published in Volume II on the Committee’s website www.parliament.uk/indcom)

1 All-Party Parliamentary Group on Global Tuberculosis and the All-Party Parliamentary Group on HIV and AIDS  Ev w1
2 Bill and Melinda Gates Foundation  Ev w3
3 British HIV Association (BHIVA) and the Royal College of Physicians (RCP)  Ev w5
4 Gender and HIV, UK Consortium on AIDS and International Development  Ev w11
5 Health Poverty Action  Ev w13
6 International HIV/AIDS Alliance  Ev w15
7 International Planned Parenthood Federation (IPPF)  Ev w17
8 Medicines for Malaria Venture  Ev w19
9 Médecins Sans Frontières-Doctors without Borders  Ev w21
10 Mr M S King OBE FRCS and Mrs Elspeth King PhD  Ev w23
11 ONE  Ev w24
12 Oxfam  Ev w25
13 Dr Patricia Nkansah-Asamoah
14 Sightsavers
15 Stop AIDS Campaign
16 Stop AIDS Campaign, Malaria No More UK, RESULTS UK and the White Ribbon Alliance for Safe Motherhood
17 World Vision UK
List of Reports from the Committee during the current Parliament

The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

**Session 2012–13**

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Oral evidence

Taken before the International Development Committee
on Tuesday 17 April 2012

Members present:
Malcolm Bruce (Chair)
Richard Harrington
Jeremy Lefroy
Mr Michael McCann
Chris White

Examination of Witnesses

Witnesses: Gabriel Jaramillo, General Manager, and Richard Manning, Chair of Mid-Term Replenishment Review, Global Fund to Fight AIDS, TB and Malaria, gave evidence.

Q1 Chair: Gentlemen, good afternoon and welcome. Thank you very much for coming to help us with this short one-off inquiry into the Global Fund and its future. Perhaps you would first formally introduce yourselves for the record?

Gabriel Jaramillo: My name is Gabriel Jaramillo and I am the newly-appointed general manager of the Global Fund for one year.

Richard Manning: My name is Richard Manning and I am here in my capacity as the vice-chair of the last replenishment of the Global Fund.

Q2 Chair: You are not really surprised that we are concerned about the future of the Global Fund. It has been very important in the past; it had a difficult year in 2011, and it is clear that its reputation has been damaged, not least because many donors have held back. Mr Jaramillo, I wonder whether you could say what is your priority now in terms of getting things back on track. Perhaps you would put it in this context: you said you had been appointed for a year, so what would you regard as success at the end of that year?

Gabriel Jaramillo: First, thank you very much for the interest in the Global Fund that you are taking. It is truly a different organisation and institution. It is perhaps the one institution that can link money to lives saved more directly than any other that exists in the landscape. That is my passion, and that is why I am here for a year.

In the first week in the job, my basic responsibility was to implement the transformation programme clearly delineated by the board, which was based on a high-level panel report presented and adopted by the board in September last year. It is a very specific function to transform this institution in such a way that it responds to a new time and can do better what it does best, which is to save lives.

How can we respond to a different period? When the fund was initially created, it was created with a sense of fear and urgency. Today, that sense of fear and urgency is not there. What remains is the desire to save lives with interventions and solutions that are there to be utilised. In a year, I see myself as delivering an institution that has simpler processes and is less “Geneva” and more what happens in the countries; that facilitates work in the countries and guarantees value for money in the investments. I see myself as delivering an institution that will be able to fulfil the fiduciary responsibility of making sure that the money gets where it should go and provides the impact it is supposed to; able to tackle some of the great strategic decisions that can be made in improving the return on investment by better interventions and new interventions and things that work better; and able to ensure that the return on investment is constantly increased to respond to the difficult times we are in and that people perceive that.

Richard Manning: The reorganisation has four phases. That is what I will be doing in the year. The first phase is 12 weeks. I am now in the ninth week of that first phase, and it is about reorganising. In the reorganisation, we accomplish three game-changing aspects. It is not just moving squares and people around. The first game-changing aspect is that 75% of our resources have now been assigned to grant management of activities in the field to be helpful to and vigilant in the field. That was not the case before. To do that, we had to reduce the bureaucratic side of the institution by 38%. With that funding, we were able to increase the staffing of the portfolio management area by 36%. Now, 75% of our people are grant management staff, and 25% are in the support and control areas. We think that it is about right. Best practice is somewhere between 75% and 80% in the development world, so we are at that level today. That is a game-changing aspect of this reorganisation. That meant having to move a lot of people, to have some people leave the fund because they did not have the characteristics to be portfolio managers, and to hire new people with those characteristics. That is what is going on right now, and we will be finishing by next week.

The other game-changing aspect of this reorganisation is within the grant management area. We have selected 21 countries that account for 70% of the burden of the three diseases. Among those 21 countries we have the top 10 for every disease. In
terms of business, to find this opportunity is a gold mine. To cater for these 21 countries we have created three departments, with seven countries and 33 executives per department. That will specialise us, and we will be able to fight these three diseases at the “filet mignon” of that war, where it is and where the opportunity is. That will accelerate our achievement of the MDG goals.

At the same time, that left us with an opportunity. There are two other units where we will be able to cater for the first time for medium and small-size countries. If you have everything in a bag, clearly executives who have Nigeria and Lesotho in their portfolios, just to give you two examples, would have very little time to dedicate to Lesotho because the numbers for Lesotho are small, but the burden is high. By separating and specialising in the high impacts you have different business models and risk management models to tackle them, which is where the big money is in terms of investment. To be able to specialise in medium and small countries is a game-changing and very tactical way of going about it. That is at the heart of this reorganisation, not just having 75% of people concerned with grant management.

The third game-changing aspect of the reorganisation is the fact that we are letting our partners permeate the fund; that is in our governance structure. We now have a grant management committee that meets every week. All those who report to me are part of that committee. For the first time senior management is exposed every week formally to the review of grants and what is happening in a country. You can imagine how good we can get after a long period of practice as a management team and institution.

In addition, we will have a monthly committee on each of the diseases. Each month, with our partners as members of those committees, we will review the war against malaria. If you are in a war, it is very good practice to stop at least once a month and see if you are winning or losing and what you have to correct, and get input from bilateral partners and development agencies that are doing work in the field. The multilateral partners who are also doing development work have a lot of input to give to us. That is the committee. We are discussing the money, because that is what the fund contributes to the war against these three diseases. They now have the opportunity formally to give us feedback and correct our course once a month. That is the reorganisation. I apologise for the long answer.

Chair: That is very helpful. You will not be surprised that we need to explore what happened, and you have given us a fairly good steer of what you are doing to deal with the history.

Q4 Mr McCann: There is speculation that the cancellation of Round 11 was linked to the suggestion that donors were set to withdraw funding. In order to clarify that, can you confirm to us exactly why Round 11 was cancelled?

Gabriel Jaramillo: Round 11 was cancelled because the calculation of the available money between the May and November 2011 board meetings came out with two different numbers. Obviously, the second one was much smaller and they had to cancel the round because the fund did not have the money. There was a financial crisis right in the middle of the calculation of the kind of revenues coming into the fund, and it was much lower at the November meeting.

Q5 Mr McCann: So in three months, was it bad administration, bad forward planning or bad analysis? There was a period of only three months between one decision being made and another being made to cancel it. It seems a bit odd, or are you trying to save someone else’s blushes?

Gabriel Jaramillo: It was six months. I can assure you that right now we have much better projection processes and we are instituting those.

Q6 Mr McCann: In terms of the negative publicity surrounding the fund and the OIG’s findings of fraud by some grant implementers, how fairly do you think that reflects the problem at the fund? To ask a specific question, the French media highlighted a case involving the president’s wife and allegations of fraud, which I believe centred on a figure of about €600,000. Can you agree that an investigation was carried out into that particular allegation of fraud. Can you tell us whether the results of the investigation have been published or, if not, when they will be published?

Gabriel Jaramillo: As to the second question, the publication or otherwise of the investigation is very much the board’s decision. It was the board that ordered its own independent investigation of this but, from my position inside the fund, since I got in I had that specific contribution checked. I have been informed that all the policies and processes that were effective at the moment the contribution was made were followed to the letter. That is perhaps all I can contribute to this conversation.

Q7 Mr McCann: When is the detail of that investigation going to be published?

Gabriel Jaramillo: I do not know.

Q8 Mr McCann: But it will be published?

Gabriel Jaramillo: I have seen a statement by the board’s chair that it will. I am not avoiding your question; it is exactly like that.

Q9 Mr McCann: I understand. In relation to the OIG findings of fraud, if that had not come to the fore and been given publicity, do you think Round 11 would have gone ahead?

Gabriel Jaramillo: I am not so sure they are linked. It is very difficult to say if one added to the other. I am sure it did, but they were two different things, which were related in the sense that the move for additional money, with all the allegations and publicity of the OIG report, had an effect on the new projection. It was a less optimistic projection based on a different financial environment around the world. A lot of things happened during those six months. It was a short period, but clearly the financial crisis in Europe, for example, was developing at a fast pace. I do not believe that the OIG report and allegations of fraud were in effect the one thing that caused the cancellation of Round 11.
Q10 Richard Harrington: Given the fact Round 11 has been cancelled, what analysis have you carried out on the impact of this? What will be the effect on the transitional funding arrangements, or something else?

Gabriel Jaramillo: I have seen quite a few analyses about this. To give you my perspective, cancelling Round 11 is a very negative thing. The demand for additional money to invest in this war and save lives is there, so that is negative. I don’t think it has been repeated enough—you might not be aware of this—that over the next 19 months we are investing in the war against these three diseases $6.6 billion.

Q11 Richard Harrington: Is that through the transitional funding arrangements, or something else?

Gabriel Jaramillo: No. We are disbursing money to fight the diseases. Round 11 was cancelled, and some people might have the impression that things stopped in the field. Actually, we are making investments of $6.6 billion. In addition, we have transitional funding, and as we speak the countries are presenting their programmes. Those programmes will be evaluated by the independent review panel as the system goes in June of this year. At that moment we will know the amount, which will be additional to that investment.

Q12 Richard Harrington: Would you mind commenting on the transitional funding mechanism, which I understand is just to provide funding so that essential services can continue? We read that there has been a concern that the transitional mechanism is resulting in a skewing towards treatment. We know that treatment is very important, but the original idea of the fund was prevention as much as treatment.

Gabriel Jaramillo: The transitional funding mechanism has that characteristic; it will go in that direction. The good news is that we have the money for that programme, which provides continuation but, if you put all of it in the context of the next 19 months and look at it at $6.6 billion, plus the transition, we are not stopping the preventative and diagnostic activities at all.

Q13 Chris White: Several donors, including the UK, are waiting for the Global Fund to undertake reforms before committing to new funds. How long do you think it will take to overcome the reputational issues that the Global Fund has picked up over time?

Gabriel Jaramillo: We have four major stakeholders about whom we worry a lot. Regarding the traditional donors like the UK, there is no question that we are implementing the programme. Just last month, in a one-day retreat, I was able to explain the programme in detail in the presence of 80 members of the board and associated members. It was a fantastic opportunity. I have been visiting all the capitals. I am here today; I am in Paris on Thursday; I am in Mexico on Friday; I am in New York on Monday; and I am in Washington on Thursday. Spain is coming back and has told us that in these difficult situations they will make payments again to the fund, so we are getting a very good response as we explain the programmes. The other stakeholders are the implementing countries. They lost a lot of trust. They are engaged in this war, and suddenly we are saying, “We have done this; please come back strongly.”

The other group is civil societies, who are closest to the people we cater for; they really see it. They are coming back and saying, “Get going. Fix what you can fix.” The third group are the implementing programmes. Those are very strong signals from the major donors. The UK itself has been a fantastic supporter in this process in making very clear the transformation and the mandate of my management team to implement a humongous transformation. If Mr Rivers thinks it is big, you can imagine how big I think I have to make it. I am the person there. So we are getting a very good response. Even the US has come back very strongly; it has said that it will come back with all its commitment which, in a very difficult political year, is a very good signal. The response to the transformation and its credibility has been very good. We are moving fast and people are able to see that what was agreed to be done is being done, and more.

Q14 Chris White: In the report, you personally receive a great deal of credit for making strong decisions and having a direct line to donors. Mr McCann talked about elements of fraud and perhaps the former chief executive and all the problems associated with those issues. How long do you think it will take you to overcome the reputational issues that the Global Fund has picked up over time?

Gabriel Jaramillo: The other group is civil societies, who are closest to the people we cater for; they really see it. They are coming back and saying, “Get going. Fix what you can fix; let’s get the funding and let’s get back to work.” Finally, there are the employees and the people in the fight. They have had a very difficult five quarters. Last year was a year of uncertainty with the allegations; the high-level panel; the Accra meeting; the change in management and my coming in. They implemented a huge transformation. Some people say it was very fast. I say it is not fast enough; we have to get it done and out it goes.

Chris White: That is a very positive answer.
Q15 Jeremy Lefroy: I declare an interest. I am chairman of the All-Party Parliamentary Group on Malaria and Neglected Tropical Diseases. I have three slightly different questions. One concerns the disbursement of funds and organisation at local level. In my travels, I have seen work on malaria in several countries and have been struck by the difference in the ability to get the drugs, nets and RDTs out to the people who need them. In some countries, it is working fairly effectively; in others, the drugs are stockpiled in the capital cities. They may have been paid for through the Global Fund, but they are not being used effectively. How do you intend to counter this to make sure that every single dollar that is spent by the Global Fund is getting out there; that funds are being released properly but speedily and things are not being held up? I came across one instance where Coartem was not available in a malaria endemic area, even though that country was producing it. It is not acceptable.

Gabriel Jaramillo: Malaria is my passion. I retired as a banker and decided to undertake the zero malaria deaths goal for 2015 as one of my passions, if not the passion, in life. That was how I ended up here. In the high-level panel I visited seven countries extensively in the field. I never went to Geneva to see what the secretariat was like. The idea was that if Geneva worked we would see it on the ground; if Geneva did not work we would see it on the ground. You are saying that what you saw on the ground indicates that Geneva does not work.

Q16 Jeremy Lefroy: It works patchily.

Gabriel Jaramillo: Exactly. It is not working if you have run out of stock or store things that can be saving lives. It is just unacceptable. The whole transformation is about making us more efficient in this way, specifically on the ground. As of next week, we will finish the first phase of our transformation, which is what I call organising to deliver. On 2 May, we will initiate two new ways of transformation. One of them is what I call—it is not a good name—unclogging the pipes, going back from the patients to Geneva and cleaning out the whole production chain from 10 years of rules and regulations. Very intelligent things were put across over time, but now is the moment to review it and make sure we have very simple processes and lots of visibility and simplicity so we can do risk management based on making things very visible and simple. This is counter-intuitive, but as a banker I am convinced that risk management is about making things visible rather than the possibility of things being hidden through complicated mechanisms. I am very confident that as we do that we will be more facilitators than policemen to the implementers. I do not know whether I have answered your question.

Q17 Jeremy Lefroy: Absolutely. I am very encouraged to hear that, and we look forward to seeing the results. Based on your passion for malaria, you will know that it fights back very quickly; you just have to look at Zanzibar and some provinces in Zambia in more recent years. I assume malaria is very much included in the continuity of services funding to ensure that where there are particular risks of malaria fighting back in a certain area that can be countered very quickly, even in advance of the next round.

Gabriel Jaramillo: Malaria is not specifically in that category. A case is being made by the malaria community, including me, that it should be, and we are working with the strategy, investment and impact committee to take that on.

Q18 Jeremy Lefroy: May I encourage you to do that, because I think it would be a disaster if it was not?

Gabriel Jaramillo: There is no question about it. People are not questioning it; it is just the process by which it gets included in the list. It is so clear.

Q19 Jeremy Lefroy: I understand there is some kind of rule about where funds are spent as between low and middle income countries. Is it correct that there is some kind of percentage allocation?

Gabriel Jaramillo: There is; it is 55%.

Q20 Jeremy Lefroy: Do you think that is a sensible thing, or is it a political thing?

Gabriel Jaramillo: I do not think it is that sensible or that political. It is a way of defending against a fear that for some reason the discussion of value for money will become so voracious that it will make the fund forget the more impoverished countries and those with less capacity. This rule is a way of avoiding that fear, if you will. I do not think it is necessary. We are perfectly capable of doing business in risky environments in a very safe way by using different risk models and putting more money into vigilance than we put in other places. Differentiating the models is the solution to this, but until we gain trust, those kinds of rules will be put in there with good intentions.

Q21 Jeremy Lefroy: I am a little concerned that, for instance, countries slip in and out of LIC/MIC definitions, for instance Sudan and Zambia. Both South Sudan and Zambia are on the borders of that, and we could get into some ridiculous positions where funding is stopped in one place because they have tripped over from one into the other.

Gabriel Jaramillo: For a dollar. I agree with you. I did not personally consider that to be a very wise thing, but we will gain ground to be able to take those things away as we show we can work in different environments in different ways.

Q22 Chair: Thank you very much. You have been very frank. You know that the last witness in front us this afternoon is the Secretary of State for International Development, so perhaps it is your opportunity through us to ensure we ask him the right questions. In the light of the fact that the UK is the third largest donor and that, although we have not contributed to the round, funding has been put in to close gaps and so on, what do you think the UK Department for International Development can best do in the coming months to help you through the current difficulties? What are you looking for from Andrew Mitchell and his Department?
Gabriel Jaramillo: We have fantastic co-operation with DFID; it is an example in the development world and it is real to us. We also have the chair, in Simon Bland, so there is a big presence in the fund in the best of senses, but the answer is obvious. In the evaluation of the quality of the investment in development, the fund came out very well in the last review. Related to that, an increase in the contribution would be more than welcome and very important. I think it is a fantastic message to the world, and one where the UK will reaffirm its leadership in putting money where it has the biggest impact in saving lives and, at the same time, driving other countries to do the same. That would be my request.

Q23 Chair: DFID did not contribute to the round but it has put in emergency funding. Is that helpful? It is obviously helpful in terms of your cash flow, but in terms of signals to other donors, would you regard that as a pragmatic but not terribly supportive gesture? Gabriel Jaramillo: Can I refer that question to an expert?

Richard Manning: Speaking as one involved in the last replenishment, its timing was awkwardly placed for the incoming Government. The replenishment took place in October 2010 when the coalition Government was in the process of carrying out this multilateral aid review. For that reason, the UK, along with a couple of other countries, was not able to make the kind of pledge other countries were making at that time. That is both a problem and an opportunity. First, it is a problem because, if you like, the money was not put on the table up front in a way that would otherwise have been the case. Instead, the fund had to make various assumptions about what might be forthcoming for the purposes of its planning. Secondly, it gives the UK a great opportunity to provide money in support of the reform programme at the fund by making a contribution at the right moment, now, even though it is later than other countries. It is very interesting to see how that could be done in a way that maximises the leverage of that and maybe encourages other countries to think again about how they might provide additional support. I think the message to Andrew Mitchell is that here is an institution where he has a great opportunity to help set the international tone of discussion. The UK happens to be in a position where, because it did not make a pledge, it can now make one, whereas many other countries have already put all their money on the table. The way it chooses to deliver on that will be a very important signal to a lot of countries. As I know from going round to other donors, there is no question that the multilateral aid review has been very widely looked at in other capitals, and for the UK to be showing in a practical way that it is fully in support of the analysis produced will be very influential, partly in the short term but even more so for what happens in the medium term.

Q24 Chair: Mr Jaramillo, in response to Jeremy Lefroy’s questions, you acknowledged that the withholding of funds was not just about fraud allegations but about dissatisfaction with the patchiness of some of the delivery, which you are addressing. Perhaps I can put a final direct question to you following what Mr Manning said. Given all of that and the track record, why should the British taxpayer now put more money into the fund? What is the state of the fund now that clearly was not the state in the last year, and which should justify putting extra money into it?

Gabriel Jaramillo: I would say it is the fact that we are going to do better at what we do best, which is to save lives. This is the opportunity to invest in a portfolio that is and has been extremely effective. With all the transformation, it will just be more effective at every turn and in the best way possible, which is saving a lot of lives with interventions that exist today.

Q25 Chair: I think you have explained very clearly how you are using your position of leadership to transform the organisation. It is extremely helpful for the Committee to hear from you. Thank you very much for coming here and giving us a first-hand account. Gabriel Jaramillo: If I may ask a question, are you issuing a report? It would be very helpful if you did.

Chiar: We will. Our problem sometimes is issuing reports in a timely fashion, but we are aware of some of the crucial dates that are coming up. We will try to make sure that the report is published substantially in advance of those.

Examination of Witnesses

Witnesses: Alan Court, Chair of the Resource Mobilisation Committee, Roll Back Malaria Partnership, Mike Podmore, Chair of the UK Consortium on AIDS and Steering Committee, UK Coalition to Stop TB, and evidence.

Q26 Chair: Gentlemen, good afternoon and thank you very much for coming in to give your input and for the evidence you have submitted in advance. As a routine, perhaps I may ask you to introduce yourselves formally for the record.

Aaron Oxley: My name is Aaron Oxley, executive director of RESULTS UK. I am here representing the UK Coalition to Stop Tuberculosis.

Bernard Rivers: My name is Bernard Rivers. I am the executive director of Aidsspan, which is an independent watchdog of the Global Fund based in Kenya.

Mike Podmore: I am Mike Podmore, policy manager at the International HIV/AIDS Alliance and chair of the UK Consortium on Aids and International Development representing the HIV community.
Alan Court: I am Alan Court. I am here in two capacities. I am senior adviser to the United Nations Secretary General’s special envoy for malaria, and I am also chair of the Roll Back Malaria Partnership board’s resource mobilisation committee.

Chair: Thank you all very much. You are obviously very much aware of what this short inquiry is about. What are the problems? How are they being confronted? How can we take the situation forward constructively in ways that will meet your collective and separate objectives? That is really why we are here, but we have a number of questions, probably most of which will not surprise you.

Q27 Mr McCann: Perhaps I may start by putting a direct question to Mr Rivers. In terms of the Global Fund’s funding problems, to what extent are those self-inflicted or caused by external factors like the economic downturn?

Bernard Rivers: There is an expression in the US: “Monday morning quarterbacking”. You watch a football game on Sunday, and on Monday morning you have all these brilliant insights as to what the quarterback should have done. If I am Monday morning quarterbacking, I will say that all of it is the fault of the Global Fund; it could have avoided these problems. It did not necessarily trigger them, but it could have avoided them and acted in such a way that these things would not have happened, or they would not have had the impact they did. Certainly, if I had been its executive director, the Global Fund under me would have had a very hard time in 2011, so I have a lot of sympathy for the leadership of the Global Fund. Incidentally, I have a lot of sympathy for Mr Jaramillo in answering some of these questions today. He started in office on 1 February of this year. Without criticising you at all, you asked questions about things that happened mostly last year so that put him in a tricky position.

The Global Fund did perform poorly in terms of thinking things through and anticipating things that might go wrong. You can call it risk management. You could have risk management at the lowest level: is there a chance that someone will steal the petty cash from some grant? You can have risk management at the highest level: maybe the global economy will perform differently in future from how it did in the past. In previous years, for instance, the Global Fund had listened to donors. Each donor would say, “In the coming three years we will give X, Y and Z dollars.” When added up it came to however many dollars and, lo and behold, the donors did give that amount. Therefore, its forecasting model was incredibly simple and worked until 2010. The forecasting model was to add up what the donors said they would give, and that was how much it would get. However, when the donors made statements in 2010 about how much they would give, the world was changing. It was nothing to do with the Global Fund. So when it added up those numbers and did not cut down by 10% to allow for risk and global change, it suddenly realised it had a problem. In other words, if it had been really smart it would have factored in things it had not needed to factor in in the past.

There were some other things. It got its maths wrong on one particular thing. The US had said it would give X dollars over three years. Some of that money was not going to come in until the fourth year, but that fourth year was beyond the replenishment period, so it could not commit to using that money in 2013; it would not come until 2014. My understanding is that it just missed that.

The other issue was poor management and poor managerial leadership. The now departed executive director hired some senior staff who were not always as good as was needed and he acted in such a way that some very good senior staff left before these problems happened. I think some of those problems would not have happened if he had had higher-calibre staff under him. Those are examples of things with which a brilliantly run organisation would not have had problems.

Q28 Mr McCann: Part of this is confusing me, and I will put it to the Secretary of State later. The replenishment conference in 2010 took place when the new British Government had been recently formed. We understood from an answer from a previous witness a few moments ago that the Government were reviewing the Global Fund through the MAR. The result of that gave the Global Fund a positive rating from the British Government’s perspective. Given that Britain has committed to increasing the aid budget massively, which every major political party agrees with, the hesitancy now being shown by the British Government must come down to everything that happened in the Global Fund and was revealed in 2011. Would you agree with that assessment?

Bernard Rivers: Just repeat the last part.

Q29 Mr McCann: There was no commitment in 2010 because the MAR was being undertaken. The MAR reported and gave the Global Fund a positive rating. That would presumably give the Minister the green light to say this is a fund we should be investing in, and then there is hesitancy and reticence in 2011. Do you have any insight into what would cause that hesitancy in terms of not giving to the Global Fund at that stage?

Bernard Rivers: What I am about to say is a little sensitive. I hope it answers your question. I think there has been hypocrisy among some donors on the Global Fund board. There were donors who signed up to the principles of the Global Fund. Donors said, “We want an inspector general’s report that is published and made available.” Those reports were published and made available. The AP then published a story based entirely on stuff it just downloaded from the Global Fund website and OIG reports. This was not an AP investigation, but the AP clicking on the OIG report and opening it up and reading about it. Then the media had a field day and the donors started wringing their hands and said, “Dear, oh dear. We’re very concerned about this.”

Q30 Chair: I take that point, but I think the point of Mr McCann’s question is that the UK was not in the same position. To be blunt and sensitive the other way round, most countries, outside the Nordic and
Scandinavian countries, were cutting their aid budgets or not fulfilling their obligations. The UK was not in that position. The specific question is: in that context, why did the UK not follow through? Obviously, we will ask that of the Secretary of State.

Bernard Rivers: I am a Brit, but I do not think I can speak for them.

Q31 Richard Harrington: To move on to discuss the impact in the developing countries of the Global Fund’s decision to cancel Round 11, we are aware of the high percentage of international financing particularly for tuberculosis and malaria for which the fund stands. I am quite interested to know what you feel is the impact of the cancellation and what concerns you have about broader future funding matters for the Global Fund.

Mike Podmore: Perhaps I may start and my colleagues will certainly add to it. It was interesting to hear Mr Jaramillo emphasising, understandably, the existing programmes of the Global Fund to ensure people realise what it is still able to achieve, and that the Global Fund is fully functional. However, I feel that he and a lot of donors have seriously underplayed the consequences of the crisis and its potential impact in the countries supported by the Global Fund. We certainly do not have all the information now. A lot of our assessments of the impacts are projections, but we have gathered some very good indications of likely impact across the three diseases. I can speak particularly about HIV. The alliance did a report called “Don’t stop now” which looked at five countries. MSF has looked at 11 countries in relation to treatment, and UNAIDS has done an as yet unpublished study looking at treatment across all the countries. It found that 55 countries had started to develop, or were planning to submit, Round 11 proposals. There were substantial proposals for a scale-up of services and new services to be put in place. Now that will not happen for two years. It is therefore irresponsible to say that without evidence we cannot say whether or not there will be an impact. We have some strong evidence out there.

The potential cuts fall into three key areas. The first one is cuts to new services that would have been funded under Round 11 proposals. Perhaps the most graphic example is stopping any treatment scale-up for the two years until 2014. In the context of 1.8 million people dying of AIDS-related illness in 2010 and only 50% of people with access to ARVs, it is not a huge leap of understanding to see that this will have a huge impact. For example, in DRC, where 1 million people live with HIV, only 14% of those in need of treatment are being reached. DRC was going to apply for Round 11 grants to scale up their treatment massively; they will now no longer be able to do that unless other funds step in.

The second area is cuts to services that will not be covered by the transitional funding mechanism. Here I am talking particularly about prevention, care and support and some civil society interventions. The TFM focuses very much on medical and interventions in commodities rather than more fluffy or less tangible interventions, but nonetheless they are critically important.

The third and last area of cuts, which was touched on in the previous session, is to do with the 55% rule and what this means for upper and lower middle-income countries. Because of the crisis, there will be an arbitrary 25% cut in all grants to those countries. That is not just looking at their best intervention services; it is a cut across all of those. It will have a massive impact.

Aaron Oxley: The Global Fund is absolutely critical in the fight against tuberculosis. It provides over 80% of all the external aid money going into low-income countries to fight TB. If we are talking about scaling back the Global Fund’s ambition, we are talking about a massive scale-back in the global fight against TB. Things are moving quickly with the TFM, so we don’t know exactly what its impact will be. The Stop TB Partnership calculated some figures in the absence of the TFM. They calculated that 3.4 million people would not be treated for tuberculosis over the next few years, resulting in 1.7 million avoidable deaths. Those numbers will come down with the TFM, but they are still pretty shocking.

As to country impact, 10 countries finish their existing TB grants in 2012; eight in 2013; and 10 in 2014. That is a total of 28 countries, 10 of which are DFID priority countries. To give you just one example, in Tanzania more than 39% of the tuberculosis funding is coming from the Global Fund. Their grant finishes in November of this year. That will result in about 46,000 people being at risk of not getting treated for TB. When you are not treated for TB you go on to infect between 10 and 15 people every year, so we are putting ourselves in jeopardy of creating a very big problem.

Alan Court: From the point of view of malaria, where the Global Fund has been financing just over 50% of interventions from external sources, the effect of the cancellation of Round 11 will not have kicked in just yet, because the actual disbursements of funds to countries that would have qualified would be happening later this year. We will begin to see the impact towards the end of this year and into next year.

We have assessed the funding applications for malaria programmes that were drafted by countries under Round 11. We are talking of over 300 million people who will not be covered with long-lasting insecticidal nets or treatment, and the potential for 100 million people who may be over-treated because there will not be an adequate diagnostic test available for them which will further increase the treatment gap. That is the immediate impact on malaria programmes of cancelling Round 11.

If we are talking about the TFM and whether it can mitigate any of this, it could. It depends on how much funding is available. We do not know yet. In the best of cases, there could be sufficient funds under the TFM to reduce the impact of the cancellation of Round 11 for about one tenth of those people.

Q32 Richard Harrington: Is it right to say that your concern about the transitional fund is about the amounts of money?

Alan Court: Yes.
Q33 Richard Harrington: We were told that it was to provide funding for the continuation of essential prevention, treatment and services, but your concern is not so much about the definition of “essential” but about how much money there is.

Alan Court: Yes. There are strange definitions of "essential" and what is in and what is out. Some of that can be considered arbitrary, but that is minor. It is the overall amount of money that will be available for the TFM, because by definition it will not be able to replace all that was asked for; the TFM can replace only what had previously been provided to countries in earlier rounds of funding. For the first time, some countries were asking for community-based case management including diagnostics, but for countries where they had not been implementing this before it’s off the list. Therefore, for nets, the TFM covers the replacement of nets, not new nets. That is where it gets a bit tricky. The TFM funding is not a complete replacement of the funds lost by the cancellation of Round 11; it is only a replacement of what has gone before in previous rounds.

Mike Podmore: Maybe it is a little different for HIV in terms of the definition of essential services. Our analysis is that it is quite important, because it de-prioritises prevention, care and support in community interventions, but it also appears completely to exclude things that are related to development synergies: HIV-sensitive social protection, education etc. It really is a paring down. As Alan said, it allows only for a continuation of services, not new services. For example, Uganda, which signed up to the new WHO treatment guidelines on initiation, is now unable to implement those for two years. It is a mechanism for the status quo, not for scale up.

Critically, the TFM never was and never will be a replacement for Round 11.

Q34 Richard Harrington: I don’t want in any way to minimise the work you do, but are you more relaxed about it, because a smaller percentage of international financing for HIV/AIDS comes from the Global Fund than for, say, malaria or tuberculosis?

Mike Podmore: I certainly hope I do not come across as relaxed about it.

Q35 Richard Harrington: I do not mean “relaxed”, but is it because this particular fund is of less significance in the overall global fight?

Mike Podmore: No. For HIV, we see real problems with the TFM. We have been having ongoing dialogue with the Global Fund about it. We understand that they are between a rock and a hard place. Those services are not being excluded because they are not valuable but because there is not enough money. This comes back to the original question.

Alan Court: Perhaps I may link the original question to the Millennium Development Goals. Mr Jaramillo referred often to the issue of saving lives. If we are looking at MDG 4, saving children’s lives in particular, malaria in Africa is extremely important. Deaths from malaria in Africa constitute over 90% of all malaria deaths globally. It is a shockingly high number. The cancellation of Round 11 impacts the achievement of the health MDGs and particularly malaria, because there were 12 African countries due to apply for Round 11 funding to tackle malaria who now do not have the opportunity to do so. The cancellation of Round 11 also impacts the way DFID is funding. For some of those 12 countries, DFID has been funding malaria bilaterally in complement to what it anticipated the Global Fund would do. We have seen in Rwanda, Zambia and Zanzibar a very fast resurgence of malaria when there are delays. We could delay Global Fund funding by a year or two years, and even if it is then increased it will not solve the problem of achieving the MDGs: for that we need the additional resources now.

Q36 Chris White: Mr Court was about to anticipate my next question. To take a slightly different angle from Mr Harrington, what impact do you think the cancellation of Round 11 will have on DFID being able to meet its objectives?

Mike Podmore: There will be no scale-up of current Global Fund programmes until 2014. That means no actual programmes will be on the ground until close to 2015. In the context of the UK’s position on HIV, it was active in getting agreement to the ambitious global targets at the high-level meeting in June of last year, including getting 15 million people into treatment by 2015 and a number of other really important targets. Without an urgent increase in the funding of the Global Fund, reaching these targets will be impossible. For example, getting 15 million people into treatment by 2015 would mean a 127% increase in the current coverage of 6.6 million people. Currently, the fund provides half of all ARV treatment for HIV in the developing world, so there is no way we will be able to meet those targets, indeed the health MDGs, by 2015. Undoubtedly, this has implications for the ability of DFID to achieve the organisational targets it set itself around PMTCT and treatment. It is difficult for us to know exactly how they will calculate those, but even DFID itself admits that it will be very difficult for it to meet even its organisational targets in the short term. When it says “the short term”, it will be interesting to ask the Minister specifically whether he thinks it can meet them, because it will definitely not be in the next two to three years. All this is in the context that DFID is cutting its bilateral spend on HIV by 30% over the next three years. The only realistic way for DFID to meet all its HIV objectives is fully to fund the fund as quickly as possible.

Aaron Oxley: DFID has not laid out any specific goals on TB. It has made very strong TB/HIV commitments in a recent HIV position paper, which is great and we really welcome it, but it has also stated that the Global Fund is its mechanism for delivering tuberculosis control in the world. If there are problems in terms of funding for the Global Fund there are very big problems in DFID being able to deliver on a TB mission.

It is worth reminding everybody that tuberculosis is the third highest killer of women of reproductive age worldwide; it is more than maternal mortality. If we are looking at the very laudable MNCH agenda of DFID, TB features very strongly in terms of
protecting women and children. Half a million children contract TB every year. They cannot pass it on; generally, they catch it from their family members, so we also need to look at protecting those children. On the global TB targets, we are on track to meet them by 2015. That is incredibly unlikely to happen without a fully-funded Global Fund, and those people will not have a chance.

Alan Court: DFID is one of the strongest global partners on malaria. Its goal is to contribute to at least half of the deaths in the 10 highest-burden countries by 2014–15. However, it relies on a well-funded and managed Global Fund to do this. Of the 12 countries in Africa that I mentioned earlier, Ethiopia, Rwanda and Zambia, to mention just three, were to go to Round 11 to request more funding for malaria but now will not be able to. This may well affect DFID’s ability to meet its own malaria goal. The two requests for Round 11 funding for malaria that would have been proposed for Asia are Myanmar and Vietnam. Due to issues of emerging drug resistance Myanmar is now important in particular for the UK. Reliance on the Global Fund to provide funding to help the UK achieve its malaria goals in Asia is now in question in terms of timing. I fear that the UK cannot meet its malaria goal if the Global Fund is not adequately funded quickly enough with new money.

Q37 Mr McCann: May I ask a triple-barrelled question? Perhaps Mr Rivers can kick off and others may want to put their point of view. The Global Fund has been criticised for the fraudulent actions of grant implementers. How fair do you think DFID’s response should be to that fraud? You may want to temper the last one in the way you did with the previous question.

Bernard Rivers: I have no idea how widespread the problem of fraud is among implementers of Global Fund grants or how those grants compare with those of DFID, PEPFAR or multiple other donors. The Global Fund set up a high-level panel to look into all aspects of the problems that arose and were revealed in 2011. In many ways, the high-level panel went quite a bit beyond its mandate, but the one thing it did not do was make any assessment of the extent to which fraud is a problem in Global Fund grants. The media stories from the AP at the beginning of 2011 focused on four small countries—troubled countries where, if you are going to have problems, you would expect to see them in those countries more than in others. It should be possible for statistical and actuarial experts to analyse all the data, including some that has not been published. For instance, in country X where the OIG did go in, did they examine every single grant? Did they examine every payment of every grant, or did they examine only certain ones? Because that is a huge issue. If they discover that $4 million was fraudulently used in country X, that is 4 million out of what? Did they look at only 5% of the grants in that country, or did they look at 100%? Some bits of that information, but not all bits of information, are revealed in the OIG reports. The technical challenge of adding data from countries that the OIG has gone into and countries that it has not gone into, and then adding up where they looked at certain grants in certain countries and did not look at other grants in those countries, is a very challenging exercise. I have a degree in mathematics and economics, but if you ask me to tell you what percentage of Global Fund money has in my speculation been fraudulently misused, I could not possibly tell you from the data they publish, and that is before we get into comparing it with other donors.

To give it credit, the Global Fund has systems and transparency in place; other organisations do not have such strong systems. As Bernard quite rightly said, the Global Fund has not done it—the job of the comptroller and auditor general did it. The people, including a very senior member of the Government, were suspended and later brought to trial. The response to that fraud, or how it compares with other donors, because the other donors are less transparent than any other donor of which I am aware. The Global Fund has two fantastic principles: it has a bulldog of an inspector general who remorselessly goes after stuff; and it has a policy of transparency. However, if you combine a transparency policy with OIG discoveries—forgive the facetiousness—that paper clips had been stolen, that expenses had been justified based on photocopied documents rather than originals, and some things much worse than that, namely that training events took place with false signatures so probably the wrong people got the money for the per diems for those events, you have a guaranteed firestorm. I believe in both of those policies. One thing the Global Fund has not done—it is the job of the board, not the staff—is resolve that contradiction and decide how to handle the conflict between those two excellent policies. To repeat, I do not know how broad a problem it is or how it compares with other donors, because the other donors are less transparent than the Global Fund.

Mike Podmore: To reinforce that, inevitably the Global Fund is not the only organisation that encounters these challenges when working in countries. As Bernard quite rightly said, the Global Fund has systems and transparency in place; other organisations do not have such strong systems.

Mr McCann: Like the European Union.

Mike Podmore: From what we know about the Global Fund, fraud is still tiny; it is less than 5% of its portfolio. I think it is important to keep that in mind in comparing it with the challenges across other organisations.

Alan Court: To add two bits to this, in one particular case, Zambia, the fraud was not uncovered by the Global Fund or its principal recipients but by the Zambian Government in a regular audit. The comptroller and auditor general did it. The people, including a very senior member of the Government, were suspended and later brought to trial. The response to that by all donors, not just the Global Fund, was to suspend aid because aid money was...
affected. It is very interesting to see the reactions. The World Bank worked with the Zambian Government to put in place some elements of better governance to control this in future, and the Government had to give back some money. The Global Fund insisted that nothing would happen until the Zambian government gave back the money. Other donors just looked at what the Global Fund and World Bank were doing and finally decided it was time to go back to funding work in Zambia. Nowhere was the Government of Zambia credited. I remember at one point somebody saying to me, “If I were the comptroller and auditor general of Zambia, I wouldn’t do this again”, because Zambia was penalised for having uncovered fraud and dealt with it properly. To me, this is a problem.

Your last question is important; what should DFID do? I know this is for another part of DFID. How do you support good governance and good governance practice within countries to make sure, first, that it is effective, as it was in Zambia; and, secondly, that it is recognised and not penalised?

Chair: We met the fraud agencies when in Zambia and were very impressed by them.

Q38 Chris White: Mr Rivers, you described the Global Fund’s last year as its most difficult to date. I note in some of your remarks, or Aidsspan’s remarks, they are quite dramatic in their interpretation. In your view, to what extent has the Global Fund learned from the lessons of what went wrong in 2011? What do you think are the risks from which it could suffer if it does not learn those lessons?

Bernard Rivers: I think early signs are good. The Global Fund is not in denial that it had a terrible year and had to make some major changes. The board pushed out the executive director. It took a while; it was messy, but it doesn’t get much more significant than that. The board was pretty united about it. This was not a fight between one bloc and another in the board; it was a question of working out how to get the job done. Mr Jaramillo has come in. He is a very different leader from the previous two. He is a management and turn-round expert, not a public health expert. The very fact that someone like him was chosen shows that the board is shocked by the problems and the crises and is treating it very seriously. The way Mr Jaramillo has acted and has done the difficult things that have to be done very quickly, rather than taking a year and a half, is excellent. That is the good stuff.

I am not going to come up with any bad stuff, but obviously we have to wait and see. Mr Jaramillo said some fine words. I don’t mean that sarcastically at all. He has talked about simpler procedures to be put in place. Good, but why weren’t they put in place before? That is not his fault. How do you simplify these procedures? You cannot have an organisation giving grants of $100 million based on an application form two pages long. The current application form is 80 pages long. You can cut it down to 75, but can you cut it down to 25? It is fine to say “simpler procedures”, but how do you make that happen? I do not know.

I am a little concerned about some of the staffing decisions that have been made. I think it was right to push out some of the people who were pushed out; others who should have been pushed out are still there. A number of the people who were responsible for some of the problems—I do not mean corruption but weak management, etc—are still around. I regard some of them as my friends, but I am not sure that the right decisions have been made fully there. I do not think the Global Fund is making any great effort to be clearer in its communications. You can try to improve your press releases, but I talk in my document about communications to the thousands of people who are applying for and implementing grants. They are just as confused as ever. I think the Global Fund is as confusing as ever about how the poor folk who are dealing with the fund every day should go about it.

Q39 Chris White: Is it as confused or as confusing?

Bernard Rivers: The Global Fund is confusing; I don’t think it is confused, but I don’t think it tells its story well to implementers. I am not talking here about press releases.

Q40 Chris White: Do the other witnesses want to comment on that?

Mike Podmore: On the reforms of the Global Fund and looking forward, it might be useful and important to highlight—because it has been largely lost in the crisis over the last year—that the new Global Fund strategy was approved at the board in November 2011 to wide acclaim. Everybody across the board thought it was a really strong strategy to guide the Global Fund forward over the next two to three years, with a focus on the capacity of portfolio managers to manage risk better, as we have heard, and greater strategic interventions in terms of the highest disease burdens and the most needy populations. That is a focus on what the Global Fund does best. For example, in the context of HIV, this is absolutely critical at a time when we have the science in place and the investment framework that UNAIDS put together to identify all the key interventions to enable us to end AIDS in a generation. Therefore, the Global Fund is critical to achieving that by focusing on the most impactful interventions in the most needy populations.

As we go forward with the reforms, which are happening very quickly, as they need to, we must ground ourselves constantly in the founding principles of the Global Fund to ensure that those are not lost. Those are country ownership; that the Global Fund is demand driven; and, critically, that civil society participation is strongly maintained throughout the fund, not just limited to the role of resource mobilisation, for example. One of the things that identifies and separates the Global Fund is its innovative approach to include all key stakeholders in decision making. I would say that is really important.

Q41 Chris White: Mr Rivers, in a recent article in the Global Fund Observer newsletter, it was said that the reforms proposed by the high-level panel were “a donor-driven attempt to shrink the future ambitions of the fund.” Do you agree?

Bernard Rivers: I wrote that, but I was putting it in the mouth of a hypothetical person in a debate...
We are interested in the relationship between the fund and DFID. We have already explored what DFID can do bilaterally to plug some of the gaps and what it will do in support of the fund. A number of you have called on DFID to make a commitment; indeed, you have said how much and when. The truth is that DFID has helped out through this transitional fund and been a pretty good partner for the Global Fund, and has clearly indicated an intention to continue. Are you being unfair to be so reliant on DFID to provide the lead and push to get things back on track?

Q42 Chair: We are interested in the relationship between the fund and DFID. We have already explored what DFID can do bilaterally to plug some of the gaps and what it will do in support of the fund. A number of you have called on DFID to make a commitment; indeed, you have said how much and when. The truth is that DFID has helped out through this transitional fund and been a pretty good partner for the Global Fund, and has clearly indicated an intention to continue. Are you being unfair to be so reliant on DFID to provide the lead and push to get things back on track?

Mike Podmore: Absolutely not. As you say, it is important at the outset to highlight the important, strong and constructive leadership role that DFID has played, particularly over the last year and a half, taking on the role as chair of the board, bringing forward some of its contributions from the next replenishment cycle, etc. Recognising that, it goes on to show the UK’s critical importance in what it does, what it gives and when for other donors and the general confidence in the Global Fund. Now is the time for the UK announcement of an increased commitment. It has been hotly expected, as we heard from the 2010 replenishment period when there was significant underfunding of the Global Fund. That was really the cause of a lot of the problems confronted over the last year and a half of the Global Fund.

We then waited for the result of the MAR for the UK to make its commitment. That was over a year and a half ago now. Very recently, the reforms have started to be put in place with a consolidated transformation plan. Recently, Cameron, Obama, G8 Foreign Ministers etc, have established strong support for the Global Fund. What are we waiting for? It is time for DFID to step up and show the leadership that everyone looks to it to give; to put its money where its mouth is, to demonstrate that it is not the case that DFID is not pulling its weight. If DFID has reservations, presumably it is for the reasons that makes the G20 such a good location.

One thing we need to bear in mind when we talk about the G20 as a potential pledging moment is the fear that the UK could be going it alone. That is one of the reasons that makes the G20 such a good location. To take India as an example, in its most recent federal budget it increased its domestic financing for tuberculosis by 80%, which is almost a doubling of its internal funding for TB. It is the single biggest year-on-year jump in funding for TB in India. The Indian Government needs to be commended for that. The idea that the UK will be going it alone here is one that we do not think is correct.

Q43 Chair: Does it have to be £384 million, which is the very precise figure you have calculated?

Aaron Oxley: I can speak to that. That figure is based on the scenarios that the Global Fund pulled together back in October 2010 before the last replenishment. You may remember it put forward three different funding scenarios—a high-end, medium-end and low-end scenario—to scale up and accelerate very rapidly towards the MDGs. It was a kind of steady-state and a bare minimum proposal. What we ended up getting was $1.3 billion less than the bare minimum which, as Mike mentioned, is part of the reason we are in this state right now. The £384 million represents a calculation based on an acceleration towards meeting the MDGs based on our country’s GDP and a fair share calculation. One thing we need to bear in mind when we talk about the G20 as a potential pledging moment is the fear that the UK could be going it alone. That is one of the reasons that makes the G20 such a good location.

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Q44 Chair: We will have the opportunity to hear what the Secretary of State has to say, but you can imagine that the UK is going to deliver its UN commitment of 0.7% next year, has a rising budget and is setting an example which almost no other—indeed, no other—G20 country is following. Therefore, is it fair to say that DFID is not pulling its weight? If DFID has reservations, presumably it is for good reason. Our question to the Secretary of State will be does he still have reservations; and, if so, what are the reasons? If not, okay, but isn’t it a little unfair to expect all the heavy lifting to be done by the UK when other countries are not stepping up to the plate?

Alan Court: I agree it would not be fair if it was just the UK, but the UK can use its leadership position to leverage others. There is now a wonderful opportunity with the Australian Foreign Minister here. Why not make a joint announcement perhaps at the G20? This is the point: how do you do this leveraging quickly enough, not in a year’s time but now, so the additional funds raised can still have an impact and influence the
outcomes for the MDGs by the end of 2015? That is the key. How do you link these things? The longer the delay, the less likely any additional funds will have an impact on achieving the MDGs.

**Mike Podmore:** Ultimately, whatever hesitancies the UK Government may have—some may be more valid than others, and it will be interesting to hear what the Minister has to say about them—they have to be balanced against lives at stake on the ground and the impact of not putting funds forward. In terms of the reforms and different things like that, DFID is in a great position through its leadership of the board etc, to influence those and ensure they happen; indeed, as chair of the board, it has a responsibility to do so, but we need to focus on the funds the Global Fund needs to implement and scale up programmes to meet the MDGs and affect lives on the ground. We hope that DFID will focus on that and make its announcement at the G20.

**Chair:** Thank you very much for giving your evidence. We will now have the opportunity to hear what the Secretary of State has to say.

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**Examination of Witness**

**Witness:** Rt Hon Andrew Mitchell MP, Secretary of State, Department for International Development, gave evidence.

**Q45 Chair:** Secretary of State, thank you very much for coming to give evidence. Perhaps I may repeat what I said before you came into the room. Because this is an afternoon session, members of the Committee have been engaged in musical chairs. It is not a lack of commitment; a number of members of the Committee have taken part, and you can see behind you that there is a lot of interest in this particular topic. Before you, we had the executive director and NGOs giving their views, and it is now our opportunity to ask you what the UK Government’s current position is. I will start with an obvious question. We have had all the difficulties that the fund has faced during 2011, with the cancellation of Round 11 and the departure of the executive director, but in your view what have been the main causes of the problems faced by the fund? We will then move on to how they are being tackled.

**Mr Mitchell:** Thank you very much. I fully understand that dedicated members of your dedicated Committee members have many other calls on their time. I think the problems fall into a number of categories. First, the new round was taking place against the background of economic constraint. That did not help. Secondly, following the reports on the performance of the Global Fund, there was a diminution in confidence by some donors, which has led to some programmes a point had been reached where effectively they had dropped off the edge of a cliff because continued funding was not available for them. That is one of the things the transformational plan will address. I do not agree with their analysis. I would point out that over these three years, the fund will be spending between £9 billion and £10 billion, and that underlines the continuing confidence of donors, albeit in difficult circumstances, and commitment to this vital work that the fund is progressing.

**Q47 Chair:** You will have the opportunity to see the oral evidence they have given us. They have spelt out their reasoning behind it in their individual cases. Of course, they recognise what you say about continued funding, but they still feel that some of the targets will not be met because funding that was expected will not now be delivered.

**Mr Mitchell:** As you will know from our previous discussions, the British Government now looks at the results of the funding. We have committed to very specific results in terms of the fight against HIV, malaria and TB. Those results will be achieved partly through the Global Fund, partly through bilateral means and partly through other means. In terms of the results that Britain and the coalition Government have committed to, I want to emphasise that we will achieve those.

**Chair:** We might explore that in a minute.

**Q48 Jeremy Lefroy:** I declare an interest as chairman of the All-Party Parliamentary Group on Malaria and Neglected Tropical Diseases. Given that the coalition Government’s pledge is to at least halve
malaria deaths in at least 10 high-burden countries by 2014–15—I welcome that as well as the coalition’s commitment on malaria—does this mean that you envisage that you will in certain countries have to scale up bilateral programmes to tackle malaria in particular, but obviously TB/HIV in respect of those results, in order to make up for a possible shortfall in the programmes that you would have expected the Global Fund to put in place?

Mr Mitchell: As I explained, we will pursue the results. I very much hope that many of those results will be delivered through the Global Fund. If the reforms that the general manager has talked about are implemented, and if we have confidence that those reforms will be successful, we will increase the funding we have already indicated we will provide. It might help the Committee if I emphasised that we have consistently made it clear that we are prepared to increase our contribution to the fund. I know there are those, particularly among some of the very effective and devoted NGOs, who would like us to do that more quickly. We will do it as soon as we feel we have confidence that the money will be well spent and that we can be assured that for every pound of their hard-earned money they get 100 pence of delivery on the ground. I can confirm that Britain will provide a further £128 million—nearly £200 million—per year, this year, next year and the year after, and, subject to the reforms being clear and implemented, I hope significantly to increase that figure later on.

Q49 Chair: That equates to the £384 million, doesn’t it?

Mr Mitchell: I think it takes it to almost exactly that, but I am confirming that that is the expenditure we are intending to provide, in keeping with our commitments. You will be aware that of the 15 funders, we are one of the minority who have stuck to our commitments to the Global Fund and have made it clear we will deliver that, and in the right circumstances, we will significantly increase that level of funding.

Q50 Jeremy Lefroy: I want to ask your views on the TFM. I was a little concerned to hear that, for instance, at the moment, it doesn’t look as though malaria plays a significant role in that, yet we know malaria is extremely versatile. We had reports just two weeks ago of resistance being confirmed on the Thai/Burmese border. That is the traditional channel by which resistance spreads into sub-Saharan Africa as we saw before in the case of Chloroquine. Do you have any concerns that programmes like this, which are so vital to maintaining the efficacy of the combination therapies that are our main weapon against malaria at the moment, will be put into question?

Mr Mitchell: I think there are other ways of meeting those particular requirements, bilaterally for example. That may well be the case in Burma, where Mr Lefroy will know things are moving fairly rapidly and Britain has the biggest development programme of any country. It is not yet clear whether Burma can apply to the TFM, but I very much hope that it will be possible for us to ensure that we can take a strategic approach to meeting exactly what Mr Lefroy has identified.

Q51 Jeremy Lefroy: On the TFM, are you happy with the way it is set up at the moment, or do you have concerns about it?

Mr Mitchell: I think it has been set up in the right way and addresses the point about the cliff edge that I made. It is one of the reforms that the MAR identified that we should take. I think it has come out of the reform programme that Britain, and indeed the British chairman working with the general manager, championed.

Q52 Mr McCann: Good afternoon, Secretary of State. Perhaps I may begin by reminding myself as much as anybody else of the chronology of events. At the conference in October 2010, the Government did not make a commitment because they were undertaking the multilateral and bilateral aid reviews. I understand that part. The MAR found the Global Fund’s standards of financial management and audit to be very high. The Government have placed great store on their decision-making processes in both the MAR and the BAR. Do you still share that view? Where does the balance lie between an evidence-supplied MAR and something as difficult to define as donor confidence in terms of your decision-making processes about whether or not to give the Global Fund more money?

Mr Mitchell: Your final point is whether we—

Mr McCann: The question is whether we give the Global Fund more money and make a further commitment.

Mr Mitchell: I am very anxious not to undermine the MAR process. As Mr McCann will be aware, we have a mini-MAR process taking place next year in which we look at all the agencies that we fund and decide whether they are on track two years in to deliver what we require. That is an open process; it has just started. I have written to all the heads of the different agencies to be very high. The Government have placed great store on their decision-making processes in both the MAR and the BAR. Do you still share that view? Where does the balance lie between an evidence-supplied MAR and something as difficult to define as donor confidence in terms of your decision-making processes about whether or not to give the Global Fund more money?

Mr Mitchell: I am very anxious not to undermine the MAR process. As Mr McCann will be aware, we have a mini-MAR process taking place next year in which we look at all the agencies that we fund and decide whether they are on track two years in to deliver what we require. That is an open process; it has just started. I have written to all the heads of the different agencies to advise them of that. That process will enable us to see whether or not the reforms that the MAR and the general manager identified have been made. It will be that analysis of whether or not the British taxpayer will get value for money for this investment that will determine what could be a very significant uplift, but I am sure the Committee will understand that I must be led by the evidence that the Global Fund has made the changes.

The MAR was very generous about it. It focused on the fact that the Global Fund, like GAVI, is different from many other UN multilateral agencies because of the way it delivers results. We think the Global Fund has delivered extraordinary results over the past 10 years, but it needs to change the nature of its management structures and what it is doing to reflect the fact that it has matured in those 10 years basically from an emergency programme to a more steady-state response. That is why we need these reforms. Of course, they are now operating in a world where bilateral programmes are much more sharply focused and where 75% of the poorest people in the world live in middle-income countries, which themselves have other mechanisms for financing important health...
programmes. The Global Fund in modernising its management needs to address all these issues if it is to move from what it has been in its first 10 years, which is an emergency response to an acute crisis, to a more steady-state funder of country-based solutions. That is what we want to help it to do.

Q53 Mr McCann: We heard evidence this afternoon that the Global Fund was no worse than other major donors in terms of fraud, and perhaps this arises only because it has received greater publicity. We heard evidence from Bernard Rivers that it is an organisation under immense scrutiny. In terms of the MAR’s determination that its standards of financial management and audit were very high, I just wonder how that squares with the hesitancy and reticence in making future commitments to the fund when a very high-profile review has taken the view that it is doing very well in relation to those issues. It strikes me that it has been treated perhaps unfairly in relation to other donors to which we also give substantial amounts of money.

Mr Mitchell: We have continued to follow what the MAR dictated: we followed where the evidence led. I made the point that over these three years the Global Fund will be spending as much as it has ever spent. The question is about the extent of some of the reforms required. I think they need to be bedded in before we make further commitments. As Mr McCann will understand from my other appearances before the Committee, we are very much obsessed with getting results for British taxpayers’ hard-earned money. If the reforms are successfully implemented, as I have every anticipation they will be—after all, Britain has been driving those reforms through the excellent work of our Chairman and the new general manager—I am confident we will be able to scale up significantly, but we need these reforms to be implemented. It should not be forgotten that, perhaps as a result of some fairly sensational press reporting, a number of issues came to light after the MAR, which need to be addressed. These are not issues of corruption, as has been indicated by others, so much as failures in management processes, and those are now being addressed.

Q54 Mr McCann: Do you agree that we shouldn’t be led in terms of making commitments in aid by sensational press reporting?

Mr Mitchell: I do agree with that. We should be led by the evidence. But the management of the Global Fund over part of the last 10 years has been conducted by absolutely brilliant experts on the issues. I think there has been less good management practice. That is what we are now putting in place. It is very important that we put that in place; otherwise, we are not able to satisfy both the people we are trying to help and the donors that every pound is being well spent. That was the issue at the heart of some of the bad publicity. In addressing that, we make the Global Fund much stronger in pursuing these vital aims in future.

Q55 Mr McCann: I am going to connect to the reforms to the Global Fund. Before doing so, you gave an answer a few moments ago. You explained how the MAR process was subject to review. Does that mean that your timetable for making a further commitment to the Global Fund will be connected to that process?

Mr Mitchell: It will be connected to that, because I don’t want to subvert the wider MAR, but it will also be, in the case of the Global Fund, connected to the progress that the general manager makes in introducing these reforms. He expects to be able to do that during the course of this year. If it goes well, at the end of that process, I would hope to be able to make an announcement about a significant uplift for 2013 and 2014.

Q56 Mr McCann: When does that process end?

Mr Mitchell: I think we are talking about the turn of the year.

Q57 Mr McCann: In terms of reforms of the Global Fund, there has been a suggestion that the reforms proposed by the high-level panel are “a donor-driven attempt to shrink the future ambitions of the fund”. How would you respond to that suggestion?

Mr Mitchell: The ambitions of the fund in respect of all three diseases remain the same as ever. Those aspirations were set out in the note that I sent to the Committee. The reforms will focus above all on the high impact countries. I think that is the right thing to do. There needs to be more attention paid to grant management and more effective risk management. As to the process by which people bid into a challenge fund in which 50% of bids are not successful, poor countries often make immense efforts to try to produce a bid that fits with very scarce resources. They may not have gone through all the hoops in the correct way, and lose out entirely. That approach needs to be softened. In our bilateral programmes, my officials spend quite a lot of time helping countries to make sure their applications are set in the right way. If we can find a way of not having such a high failure rate by changing the way the grants are made, that too would be a big contribution to the ends of the Global Fund that all of us are seeking.

Q58 Mr McCann: Do you think it is fair that the Global Fund should be subjected to a higher level of scrutiny than other donors, for example, the World Bank? In terms of the reforms and the suggestion that it becomes a more traditional top-down agency where allocations would be made, as opposed to identifying needs within an individual country’s programme and the allocation needs thereafter, where do you think that should go? What is DFID’s view on how that operation should work?

Mr Mitchell: On the second point, we should try to make sure that we identify where the need is and address it. In addition to the Global Fund, there are other ways of doing that, but the Global Fund is certainly the sharpest and one of the most effective ways of doing that. On your first point about the comparison with the World Bank, I think the World Bank would argue that it is subject to an extraordinary amount of scrutiny, rightly so, and the results agenda we have driven through the World Bank, very much through Britain’s
efforts and British leadership, underlines that point. The World Bank is held very strongly to account by us as a Government and by civil society organisations. My answer to your question is that the Global Fund, like any other organisation like this, should be held to account for the effective delivery of its programmes, and that is what we are doing. These sorts of changes, some of which I have sketched out this afternoon—others you will have heard from other witnesses—are the way in which you drive that forward.

Q59 Jeremy Lefroy: Can you give us some idea of what DFID in particular is doing at the moment to encourage others either to make a contribution for the first time or increase their contributions to the Global Fund, because it seems that Britain is in a particularly strong position, holding the chairmanship and being a major donor who is likely not only to maintain but increase its contribution? This is a global fund and it needs to be replenished globally. Do you see new countries wanting to come in? Do you see existing countries being inclined, provided they are satisfied with the reforms, to pay more?

Mr Mitchell: We are intent on doing precisely what you have described. As a member of the Global Fund board we try to persuade others to follow the lead we give. As you rightly say, we have the chairmanship at the moment and we are very active on the finance and operational performance committee. We try to make sure that the lessons of that are ventilated among others. We are heavily engaged in encouraging others to provide a degree of definiteness about long-term finance for the three diseases, and we are involved in assessing with others the effect of the cancellation of Round 11, what we have put in place to supplement that, and we are trying to make sure those lessons are learnt in a collective way. I think that is something that the senior official from my Department, Simon Bland, who has led this process, has been extremely effective at doing.

Q60 Jeremy Lefroy: I return to your assessment of the impact of the Global Fund’s performance, not just the cancellation of Round 11 at the moment and its consequences. Irrespective almost of what the executive director is doing at the moment, do you have any personal vision of how the Global Fund can be more effective? We have heard about administrative reforms, which I think we all agree would help, but is there something that you personally believe could make it more effective?

Mr Mitchell: I think the fact that the management systems were not effective enough, for the reasons I have described, is absolutely critical. Much of the work that the Global Fund does is inspirational, but we need to make sure that it moves from its first 10 years into its steady state. The current structure needs to move towards having a chief executive who has day-to-day responsibility for the running of the Global Fund with a board that has a non-executive chairman who should be a Minister. The Minister of Health in Ethiopia led it before we took the chair. I was approached and asked whether I would agree to be the chairman. In principle, I would have done it if it had been a non-executive post that took eight days a year, but it was clear that what was required was more like 60 days a year, which clearly is not possible for a Minister to do. I think it should have a proper chief executive who is responsible for day-to-day management and a chairman who can answer to the various stakeholders and donors around the world, as at the moment. It goes between a donor country and an implementing country, two years each, but ideally it should be a current or former Minister who would carry the confidence of both the international and the implementing community. I hope that sort of change will come about as a result of the work that is being done at the moment between Simon Bland and the general manager. I think that would set aright the structures at the top of the fund for driving it forward.

Q61 Jeremy Lefroy: In principle, the concept of the Global Fund is a tremendous one that engages the public. It is the world working together on specific targets that will have fantastic results for the people of the world. At the moment we seem to be bogged down in another dialogue or story perhaps of corruption and international organisations not working particularly effectively. Yet, as you say and the MAR makes clear, we have had some extremely good results. I just wonder whether as a country we could grasp that nettle and make it more than just a managerial change, which obviously it needs, and perhaps use the G20 in June as a relaunch. I understand from what you say it is unlikely we will be able to make additional funding commitments at that time. You were talking about the turn of the year. I understand and respect your views on that, but could that, or another international meeting such as that, be used almost to relaunch what has become a slightly tainted, certainly in the world’s eyes, institution that probably deserves better?

Mr Mitchell: I have sympathy with much of that, but let’s be clear: this is an organisation that lost a lot of donor confidence. It is a matter of record that some countries pulled out. Britain did not for the reasons you have articulated. We felt that good results were being delivered, and we made it clear that we would invest a huge amount of taxpayers’ money in securing those results, so I would argue that we did not overreact. Equally, these issues have been raised questions. The truth is that in 2004, receipts were not required to be kept. It is sorting out these management structures that gives confidence to everybody that everything is going in the right way, and making the necessary changes if they are not. The G20 in Mexico is a good opportunity to do this. The question is whether or not the changes we have been talking about will have been adequately addressed by then. My feeling is that it is unlikely, but not impossible. It may well be that the G20 in Mexico is an opportunity to underline the changes that have been made and the reason why donors should be funding
the Global Fund in future to give a bit of time for those ideas to gestate and take root, if I may mix my metaphors, and later in the year there might well be an opportunity to do precisely what you say.

**Q62 Mr McCann:** I don’t want to sound like one of your colleagues, but if it was all to do with receipts we would not give any money to the European Union. I think there would be some problems in that regard as well.

**Mr Mitchell:** Mercifully, I don’t think you require my comment on that.

**Mr McCann:** I’m not going to press you on that.

**Chair:** We just signed off a report this morning.

**Q63 Mr McCann:** To put a supplementary question in relation to one of your responses to Mr Lefroy, we heard some evidence from NGOs before you took centre stage about the potential damage that could impact on the MDGs by the delay created by not replenishing the fund. Do you think that is a genuine concern, or do you believe that time can be made up or that the MDGs can be attacked in different ways?

**Mr Mitchell:** MDG 6, which is the one we are talking about, is under pressure. I very much hope that Britain will fulfil the commitments it has made as I described, but I think the best way of ensuring we reach MDG 6 is not to go off half-cock on this but to get the reforms in place, restore the confidence of all the funders, and proceed in the way the general manager plans that we should proceed.

**Q64 Chair:** You have made your position clear, but it would be remiss of me as Chair, having heard evidence from the NGOs, not to press you a little further for clarification. Quite simply, the NGOs are saying they believe that the lack of resolution now is leading to a shortfall in the funding required particularly to meet the MDGs and targets. They are looking to the UK to give an early rather than later answer and to your saying something specific and making a commitment at the June G20. That is their suggestion. What have you said to us implies that you would not be ready to do that, but I would be grateful if you could give us a straight answer to that.

As I understand it, they are looking for an additional amount. The figure of £384 million I picked out is the difference between what has been given and what has been pledged. You have said that substantial additional funding is a possibility. I think you have answered the question, but I would like you to make clear how soon you think you can make an announcement. Are you able to indicate what you mean by substantial additional funds over the commitments already made?

**Mr Mitchell:** Having reissued my caveat that I will be led by the results that our hard-earned taxpayers’ money can secure, if I am satisfied that the reforms will deliver I would expect to increase very substantially the money in years 2013, 2014 and 2015. Subject to my being satisfied, that increase could be up to double the figure that you have given. Although we fortunately have a protected budget, nevertheless the budget is fully allocated, but if I can see those results, then up to double that figure would be the amount I would have in mind.

As to timing, I have not ruled out entirely the idea of the G20 in Mexico. It will very much depend on the speed of the reforms and not just Britain, because there is no point in having that conference unless others, who have taken far more stringent action than Britain in terms of withdrawing funding—whereas I am at pains to say we did not and we are standing by the commitment we made—are also confident. As I said earlier, as a result of the reforms to the fund that Britain is seeking to drive forward, I hope that we will be able to convince people. I do not want to be tied down to a particular time scale that would face the danger of this important initiative going off half-cock.

**Q65 Chair:** That is understood. We have had evidence from the current general manager, who I understand has been appointed specifically only under a one-year contract. How important is it for his successor, who presumably will be on a longer-term contract, to be identified to give that confidence?

**Mr Mitchell:** We are actively considering that. The general manager is doing a brilliant job. It should not be forgotten that he is doing it at no charge; he is putting something back into society, and we are very grateful to him for that, but identifying his successor, as you rightly say, is absolutely critical to all of this.

**Q66 Chair:** Perhaps, in terms of the recent debate in the UK, more people should be prepared to put something back pro bono in those terms. The other point is the reaction of other donors. I think you and others have said that you would make an announcement at a time when it raises the most amount of money for the fund. Presumably, that means not just in terms of the UK’s ability to lay its hands on its contribution but that our engagement will encourage others to do so. How actively are you engaged with other donors to enable us to say how committed they are? When you say you do not rule out June, obviously that is an opportunity; the other donors are there. Do you think you would be able to persuade them, and that if you put your money down you will get others to sign up? I know you have done that in the past; you have challenged people and have had success. Do you feel able to do that?

**Mr Mitchell:** I will be seeing several donors in Washington at the World Bank meeting this weekend and I will be talking about this, but we are intent on persuading people that these reforms are the right ones, that they can have confidence in them, and that those donors who have stayed their hand can reengage as a result of these reforms. My reticence about the G20 in Mexico is that it is very soon. I am intent on trying to crowd in as much donor support alongside any increase in Britain’s support as I possibly can.

**Q67 Chair:** That is a very fair answer to the questions that have been put through us from the NGOs. Of course, they want more money and they want it now, but that is their job. I think that your job is, quite rightly, to explain the UK Government’s engagement, what you are trying to achieve, the
timings and the conditions. I think you have done that very clearly. I am grateful to you for doing so.

This is a one-off report as you know, but one that is necessary, because clearly there is a lot of uncertainty and the UK is in an important position. I hope that by having this investigation we have helped to clarify a number of issues and create some confidence that the UK is determined to get the Global Fund back on track, put the money through it and ensure that the diseases that are particularly concerning to us get the funding they need. While there might be some differences of opinion about timing, you have made some very positive commitments in principle about the scale of the funding and indicated that you will do it as soon as you believe it is right; and you will use your influence to persuade others to step up to the plate at the same time. To be frank, if you achieve all those things I think we have no reason whatever to complain about your engagement as Secretary of State. Thank you very much indeed.

Mr Mitchell: Thank you very much indeed. We look forward very much to your report, which I think will be extremely valuable and I hope will be available before too long. Although we may not be able to satisfy fully all the NGOs who have rightly engaged on this issue, nevertheless I recognise profoundly the passion and dedication they bring to these very important causes. We respect them for that and very much look forward to working closely with them to drive forward our common passion and ambition.

Chair: They are sitting behind you, Secretary of State, and are nodding. Thank you very much.
Written evidence

Written evidence from the Department for International Development (DFID)

INTRODUCTION

1. This Memorandum focuses on recent events surrounding the Global Fund and its finances, as well as the suite of reforms that the Board has agreed embarked upon. Taken together these reforms are intended to ensure that the Fund improves its performance and better meets the needs of poor people affected by the three diseases. Specifically this memorandum responds to five areas of interest highlighted by the IDC:

- the current funding situation of the Global Fund and DFID’s contribution to the Fund;
- the prospects for DFID achieving its development objectives if current funding shortfalls at the Fund are not addressed;
- the impact on people in developing countries from the delay in funding of new grants;
- the UK’s role in influencing other international donors; and
- reforms undertaken by the Global Fund to its management and business model, and improve risk management.

THE CURRENT FUNDING SITUATION OF THE GLOBAL FUND AND DFID’S CONTRIBUTION TO THE FUND

2. In May 2011, the Global Fund Secretariat’s forecast was that the Fund would have approximately $1.6 billion in uncommitted assets for a new round of funding. By the time of the Board’s extraordinary session in September 2011, the projection was that only $800 million would be available, and that this would not be available until the last quarter of 2013. By the time of the November 2011 Board, the Secretariat was projecting a potential deficit of $600 million. During this period, the UK Government has delivered precisely as it said it would.

3. There is a degree of uncertainty with all forecasts and projections. The main reasons for this decline included:

- a reduction in forecast donor contributions—in the past the conversion of pledges to actual funds was close to 100% but this changed as a result of the economic situation and in response to negative Associated Press media coverage;
- some donor contributions were pushed back into later years;
- changes in currency exchange rates; and
- lower investment returns reflecting current financial market conditions.

4. The misleading news story from Associated Press in early 2011 that claimed there was fraud and mismanagement in Global Fund programmes had a negative impact on donor confidence, as some decided to suspend their contributions pending a review of the Fund’s systems and controls.

5. At its November 2011 meeting, the Board had to make some tough decisions about how the smaller pot of available resources over 2011–13 should be used. In order to ensure that there was sufficient finance to proceed with all Round 10 proposals, the Board decided that it simply could not proceed with a new Round 11. But the Board also recognised that the cancellation of Round 11 could interrupt country programmes that it was already financing, so the Board also established a Transitional Funding Mechanism (TFM), designed to provide support for essential prevention, treatment and care services until such time as a new funding opportunity is available—not a traditional Round—expected to be early 2014 or late 2013, and to allow the transition to a new way of working articulated in the new Global Fund Strategy.

6. Based on current resource forecasts and taking into account decisions the Board made, the Global Fund will still be providing a significant amount of support, with programmes worth some $9–$10 billion being funded over the next three years.

7. The UK is already a significant donor to the Fund, having pledged up to $1 billion for the period 2008–15, and we have continued to commit money to the Fund’s programmes to help provide essential, life saving services. For example, in December 2010, the UK brought forward £100 million of its pledge so that all proposals recommended for funding under Round 10 could be approved by the Board. In March 2011 we made an additional contribution of £128 million from the outer years of our pledge to try to help with current financing challenges and allow all approved R10 grants to be signed. I believe we have been very reliable partners.

8. As we have said before, the UK is ready to increase its funding to the Global Fund in order to help meet its targets. The extent to which the Fund is able to take forward the reform process it has embarked upon will clearly be a key factor in the UK’s decisions on future funding. Several other donors take a similar position.

9. One of the challenges for the Fund Secretariat is the relative unpredictability of donor contributions. Although many donors make multiannual pledges, the timing of their annual contributions is not always fixed.
10. So far the UK has contributed £638 million of its £1 billion pledge since 2008. The UK’s share of total pledges to the Fund are below. Further details can be found in Annex 1.

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### THE PROSPECTS FOR DFID ACHIEVING ITS DEVELOPMENT OBJECTIVES IF CURRENT FUNDING SHORTFALLS AT THE FUND ARE NOT ADDRESSED

11. DFID has set out a range of AIDS, TB and malaria targets to be achieved through both our bilateral programmes and contributions to multilateral organisations. The Global Fund is the major multilateral grant mechanism through which funding for AIDS, TB and malaria is disbursed to countries. Clearly, if the cancellation of Round 11 leads to significant delays in spending and the scale up of existing programmes, this could have implications for the ability of DFID to achieve its results—in the short term. DFID is working with technical partners (UNAIDS, Roll Back Malaria Partnership, Stop TB Partnership and the World Health Organisation) in analysing the situation but scenario planning is complex (see below). Country level analysis is gradually becoming clearer but it is too early to know the extent of the impact of the cancellation of Round 11 overall and thus the impact on the UK’s commitments on malaria, HIV and TB.

12. Set against this, the Fund will still spend $9–10 billion from 2011–2013, and the Transitional Funding Mechanism (TFM) will be available to many countries until the new funding opportunities come on stream, we think in 2014. However, we are concerned in the short term that:

- the focus on maintaining essential services may result in a skewed balance towards HIV treatment away from critical prevention interventions;
- phase 2 renewals and the TFM will be insufficient to meet the requirements of continued scale up of longlasting insecticide treated nets (LLINs) to new populations (mainly children under five years of age) and replenishment of old LLINs;
- many countries, backed by the international community, have committed to scaling up interventions and strategies to meet new WHO guidelines, for example on treatment initiation for HIV, and parasitological testing for malaria, but progress on meeting these targets will now be uncertain;
- maintaining funding for key populations, particularly in contexts where governments neglect these groups and in lower and middle income countries with concentrated epidemics, could be at risk;
- funding for activities to address threats to progress or a reversal of gains may not be met, such as artemisinin malaria drug resistance and drug resistant TB, which by definition require scale up to successfully contain spread and may not be eligible for TFM.

13. However, we should not just focus on the amount of funding that we have available. It is clear that the international community and endemic countries need to better identify where cost savings and efficiencies can be made, for example through negotiating unit cost reductions on health commodities; by developing more efficient strategies to reach more people; by making better use of synergies across the three diseases; and using current tools to combat malaria more effectively. We also need to be ready to rapidly scale up new cost effective technologies as they become available.

As a reminder of our objectives, and looking at each disease in turn:

**Malaria**

14. At least 655,000 people died as a result of malaria in 2010, mainly children under five years of age in Africa. Malaria has an unacceptable effect on individuals, households and economies in malaria endemic countries. The scale of malaria as a global public health problem has led the UK to make malaria a focus of its development investment over the next four years, as outlined Breaking the Cycle: Saving Lives and Protecting the Future: the UK’s Framework for Results for Malaria in the developing world (MFfR).

15. The UK Government has pledged to contribute to at least halving malaria deaths in at least 10 high burden countries by 2014–15 and to support action to sustain and expand gains into the future. In turn, this will contribute to the progress towards the attainment of the Global Malaria Action Plan (GMAP) target to reduce deaths due to malaria to near zero by 2015 and progress towards the achievement of the health-related Millennium Development Goals (MDGs 4, 5, and 6) as a result of a reduction in child and maternal deaths due to malaria.

16. Our support will help develop strategies to reach more people, more effectively; integrate malaria control with other health services; strengthen underlying health systems; and ensure that interventions and delivery strategies are appropriate to make best use of resources. The UK has committed to invest up to £500 million per year by 2014–15, where results can be delivered and value for money demonstrated, to support this goal.
17. The past decade has seen tremendous increases in funding (from US$ 100 million in 2003 to US$ in US$ 1.5 billion in 2010) for research and for programme scale-up for malaria, the latter largely through the Global Fund, and through donor bilateral programmes. Funds for malaria control still do not match the estimated need laid out in the Global Malaria Action Plan. Despite dramatic scale-up, coverage remains insufficient in countries where the malaria burden is the highest; across all interventions, but particularly for intermittent preventative treatment for malaria in pregnancy, indoor residual spraying, diagnosis and prompt, effective treatment. Furthermore, emerging drug and insecticide resistance threaten progress globally.

18. The cancellation of Global Fund Round 11 does pose challenges, in addition to the economic downturn. Analysis in the World Malaria Report 2011 highlighted that malaria funding will slightly decrease in 2012 and 2013, and will likely drop further to an annual US$ 1.5 billion by 2015, despite increased support from the UK.ii

**HIV**

19. The UK Government remains committed to the goals of universal access to HIV prevention, treatment, care and support by 2015. We support international goals to:

- get 15 million people on treatment by 2015 (currently 7 million have access)
- reduce sexual transmission of HIV by 50% and transmission of HIV among people who inject drugs by 50% by 2015;
- eliminate mother-to-child transmission of HIV by 2015 and substantially reduce AIDS-related maternal deaths.

20. In terms of volumes of financing, the Global Fund is the principal mechanism the UK uses to finance our contribution to combat HIV and TB but we are confident that through our Bilateral programme we will contribute to reducing new HIV infections in at least eight Sub-Saharan countries, through scaling up prevention services, strengthening reproductive health services, including comprehensive Prevention of Mother to Child Transmission (PMTCT), empowering women and encouraging better and increased resource allocation.iii This will reduce infections among young women by at least an estimated 500,000.iv

21. We will also focus on reducing HIV infections among most-at-risk populations in at least six countries by improving access to prevention services such as needle exchange and condoms and help maintain HIV prevalence below 1% in the general population.iv

22. We have also invested in complementary interventions to maximise value for money of our spend on treatments for HIV, TB and Malaria. Our grant to the Clinton Health Access Initiative (CHAI) has supported a number of market interventions such as price negotiations with pharmaceutical companies, bringing new producers to the market, improving production processes and improving demand forecasting. Key results have included contributing to a 33% reduction in the price of first-line antiretrovirals through improved production process chemistry, as well as a 33% reduction in the price of second-line antiretrovirals by moving the market away from a single supply situation. The savings on antiretroviral spend generated by the grant exceeded US$100m in 2011. These price savings will continue to have an impact in coming years and will total several hundred millions of dollars, equivalent to being able to put half a million more people on antiretrovirals by 2015. The value for money impact on the Global Fund budget, as a large financier of antiretrovirals, is significant.

23. Recent advances make this an exciting time for the HIV response, and new evidence is interesting and compelling. For example, we know that providing pregnant women living with HIV with antiretroviral treatment reduces the risk of a child being born with the virus to less than 5%—and keeps their mothers alive to raise them. We know that voluntary medical male circumcision reduces the risk of female-to-male transmission by more than 60%. And recent science has shown that once people do become HIV-positive, treatment with anti-retroviral drugs helps reduce the risk of transmission to a partner by 96%. But responding to HIV should not just be a biomedical response; it also needs interventions that tackle the behavioural and structural drivers of the epidemic. We must ensure the optimal mix of these “combination prevention” interventions.

24. More work is required to determine what is needed in particular countries according to their specific epidemics and need. The UK is keen to join others in seizing this opportunity. DFID is working with UNAIDS to facilitate a country-owned process to ensure that HIV investments are implemented more efficiently and based upon evidence of what works to address the specific dynamics of the epidemic in each country (the “Strategic Investment Framework”).

25. We will work to ensure that the Fund’s resources reach countries with the greatest need and that through the Fund we engage proactively with UNAIDS on the Strategic Investment Framework to ensure that it is aligned with the Fund’s phase 2 renewal process in-country. We continue to support the Global Fund funding window on vulnerable groups to ensure that Injecting Drug Users (IDU), prisoners, sex workers and Men who have Sex with Men (MSM) in Low and Middle Income Countries with concentrated epidemics will still be funded.
26. The landscape of tuberculosis control has significantly changed over the last 10 years. A total of 187 countries now implement DOTS (directly observed treatment, short course), covering 97% of the world’s population. An estimated 6 million lives have been saved, driving TB mortality down by more than a third, since 1990. But the global burden of TB is still significant and considerable challenges remain, including improved, case detection and completion rates, emerging drug resistance, HIV-TB co-infection and the need for more research and better drugs and diagnostics.

27. The UK Government is committed to helping achieve the goals of the Global Plan to Stop TB to reduce deaths and prevalence of TB by half by 2015, compared to 1990 levels. The UK government has reaffirmed its approach to tackling TB through three key policy documents, DFID’s Business Plan 2011–15,1 UK aid: Changing lives, delivering results and Towards zero infections: The UK’s position paper on HIV in the developing world.

28. DFID’s priorities5 for its support to TB control are to help increase access to and use effective diagnosis and treatment of TB, including TB-HIV and drug resistant TB; to invest in research and product development into more effective treatment and vaccines; to support countries to strengthen health systems to deliver quality TB programmes; and to work with our partners to tackle the risk factors for TB, including poverty and malnutrition.

29. The UK delivers on its commitment through bilateral and multilateral channels, supporting coordinated action through the Stop TB Partnership, and funding research, including research to develop more effective diagnostics and treatment to tackle TB. The Global Fund is the principle mechanism the UK uses to finance our contribution to combat TB. Since the Global Fund’s inception in 2002, programmes it has financed have supported TB treatment for a total of 8.2 million people by December 2011.

30. Funding for TB control worldwide has increased in recent years—up from less than $1 billion in 2002 to $3.1 billion in 2008—but the funding gap remains large and is growing, with the most recent estimates putting the annual gap from 2011–2015 at approximately $4 billion. Grants from the Global Fund have been of increasing importance with respect to their share of overall funding for TB control. The situation is now unclear and the gains made, particularly in the context of TB-HIV and drug resistant TB are vulnerable.

THE IMPACT ON PEOPLE IN DEVELOPING COUNTRIES FROM THE DELAY IN FUNDING OF NEW GRANTS

31. In terms of the impact at the country level, it will depend of course on a variety of factors, including country income levels and the cycle of existing grants, if they have them. So for some countries there will be little or no impact, where for example they already have newly signed grants, where they were not intending to apply for Round 11 funds and where they will face no programme disruption before the new funding opportunities become available. At the other end of the scale, some countries have become ineligible for grant renewals.

32. A number of other factors will affect the impact:

— phase 2 renewals and the extent of reprogramming of existing GFATM grants, the level to which additional savings by the GFATM are sought, the ability of countries and partners to effectively prioritise services and those most in need and the identification of efficiency gains;

— funding available for the transitional funding mechanism (TFM);

— eligibility for TFM funding (the guidelines are currently complex and involve a degree of judgment as to what “essential” means in each country context), which countries are successful and to what extent in their applications;

— whether other donors or domestic governments will meet any gaps in the absence of Global Fund financing, and the levels of funding that will be made available in future years; and

— the timing of calls for new funding opportunities and when the money to support these come on stream.

33. The rationale for the cancellation of R11 was to ensure that money could be available to allow all Round 10 grants to be signed, and provide a TFM to allow countries to continue receiving support for essential prevention, treatment and care services until such time as funds are available for new proposals, expected to be launched in 2013, with money available in 2014.

34. It is also worth noting that even had R11 gone ahead, roughly half of applicants could have been unsuccessful with their proposals, since (on historical trends) they would not have met the quality standards set by the Fund’s independent Technical Review Panel (TRP). It is therefore possible that some countries may be eligible for support under the TFM that would not have qualified for R11. And it is worth repeating, that even in the absence of R11, we still expect the Fund to spend around $9–$10 billion between 2011–13.

35. To give a few examples in countries where DFID operates:

- **Malawi**—had been expecting to apply for R11 funding, and had failed with its R10 bid which was extremely ambitious and costly. The Government is now looking at its “Plan B”—it is considering whether to apply to the TFM, and will look to see if there are alternative sources of funding such as other donors to fill any gaps, as well as looking at other sources of revenue such as levies or taxes.

- **Nepal**—the country was not planning to submit a large set of proposals under Round 11, though if new funding opportunities are delayed too long there could be implications as Nepal’s current grants expire end 2013–14.

- **Vietnam**—new counterpart funding requirements, designed to encourage countries to shoulder an increasing proportion of treatment costs, could have an impact as the Ministry of Planning and Investment has made clear that there can be no increases in domestic HIV funding beyond current plans. While success was never guaranteed, the Government and partners were ready to put effort into a strong HIV application.

- **Pakistan**—would not have been eligible for HIV or Malaria grants since less than 12 months had elapsed since the signing of their previous grants in these disease areas. TB remains relatively well funded.

- **Burma**—there are serious concerns around artemisinin malaria drug resistance as it appears that Myanmar may not be eligible for any TFM support as it does not have a current programme to tackle this. Myanmar’s issues relate to low levels of funding, due to the fact that the Fund withdrew in 2005, and only returned in 2011.

**THE UK’S ROLE IN INFLUENCING OTHER INTERNATIONAL DONORS**

36. The Board of the Global Fund comprises 10 donor seats, 10 implementer seats, 6 partners and the Chair and Vice Chair for a total of 28. In addition, several countries, businesses and other organisations make contributions to the Fund.

37. The UK is in a constituency with Australia and has good relations with fellow donor Board members, and we regularly discuss issues of common concern with them in an attempt to reach a shared understanding of the challenges and opportunities facing the Fund.

38. The UK Multilateral Aid Review has influenced other donor thinking about the Fund and its relative value, both in terms of its overall assessment and the framework for appraising the contribution of multilateral organisations. Also, the fact that our MAR assessment recognised the challenges faced but gave us confidence in the Fund has allowed us to maintain our contributions during these uncertain times, for example in the face of the Associated Press allegations. This has also helped give other donors a degree of confidence in the Fund. Much of our analysis in the MAR was shared by the High Level Panel which reported in September. And so we have been able to strike a fair balance between confidence and continued support to the Fund, tempered with caution around the outcome of the various reforms in train within the Fund, before we make any announcements on the UK’s future funding intentions. We appreciate that some people feel the UK should announce additional funding now, in order to give greater confidence, but we think we have the balance about right.

**REFORMS UNDERTAKEN BY THE GLOBAL FUND TO ITS MANAGEMENT AND BUSINESS MODEL, AND RISK MANAGEMENT**

39. The Global Fund is undergoing an unprecedented transformation. This will affect all parts of the organisation and will redefine the way that it behaves, the way that it funds, and the way that it delivers results. There are various drivers behind this including the response to the High Level Panel Report, but the reforms are being drawn together under a Consolidated Transformation Plan (CTP), which the Board approved in November 2011. It is a comprehensive plan which has numerous work streams, including a large section on managing risk better. The CTP is accompanied by a framework setting out deliverables under each work stream and associated timelines for them.

40. As with any such plan, there is much that cannot be anticipated, and there may be course corrections along the way as the implications of other reforms become apparent.

**UK’S ROLE AS BOARD CHAIR**

41. Initially the Secretary of State was approached informally to agree to take up the position of Board Chairman, but in light of the Fund’s perceived necessary time commitment decided that this was not feasible. Instead, in March 2011, the UK put forward a former senior DFID official as a candidate to be the new Chair. In a new departure, and as part of early governance reforms, the intention was that the Board Chair would be independent and so did not need to be from a particular constituency within the Fund. The candidate, Martin Dinham, former Director General at DFID, was appointed by the Board in May 2011.
42. Unfortunately, due to ill health, Martin stood down as Board Chair in August 2011. The UK was then asked by the donor group to lead a process to identify alternative candidates with a defined skill set. After an exhaustive process, the donor group asked Simon Bland, Deputy Director in the Global Funds Department in DFID, to be their nomination and the full Board endorsed this in October 2011. Although a serving DFID employee, Simon is independent of the UK/Australia constituency in this role, and his previous position as Board Member for the constituency has been taken by Carlton Evans in DFID. Carlton Evans acts under UK ministerial direction.

43. Since Simon was appointed as Board Chair, he has been instrumental in steering through the governance reforms that the Board agreed in November last year, and several other responsibilities which the Board delegated to him, such as the appointment of a new General Manager, alongside all of the other functions of a Board Chair.

44. In terms of management, the new temporary General Manager, Gabriel Jaramillo, was appointed by the Board in February 2012, and the Executive Director, Michel Kazatchkine, stepped down as of March 2012. The General Manager has slimmed down the Executive Management Team from 6 to 3, and reorganised the structure of the Secretariat around a different set of priority areas. The new structure is presented at Annex 2. Mr Jaramillo will be able to give further details to the Committee when he gives evidence. We support Mr Jaramillo’s efforts and his restructuring, and the Global Fund Board will hold him to account for its impact.

45. This is an exciting and intense reform period for the Fund which sets a clear example and could be an important model for other parts of the international system. As such, it is only right that the Board Chair is very actively involved and takes a much more “hands on” approach than has traditionally been the case, and with a strong General Manager until such time as a permanent Executive Director can be found. Indeed the person specification indicated that during this period the Chair would need to commit at least 150 days per year to the job.

46. In the longer term, once the current organisational reform of the Fund is complete, the Fund should settle back into a more familiar position, where Chairmanship is more non-executive and somewhat less active, often represented at Ministerial or political levels. The Board will consider further governance reforms over the course of the next 18 months, and, in the meanwhile, the Board Chair and the General Manager have full UK support. The next rotation (due 2013) will see the implementer bloc provide a candidate for Board Chair.

47. The Business Model is evolving and will in large part be determined by the Global Fund Strategy, which was also agreed at the Board in November 2011. What this means in terms of new funding opportunities has yet to be finalised and the new design will be rolled out between now and 2013, with associated funding currently due in 2014. Key elements are a greater focus on and capacity of Fund Portfolio Managers, managing risk better, greater strategic interventions in terms of the highest disease burdens, the most needy populations and the most impactful interventions, and as the General Manager has put it, impeccable grant management.

48. Specifically on risk management, the HLP Report strongly identified the need for the Global Fund to adapt its approaches effectively to variations in country context and implementer capacities. This is consistent with the previously established Comprehensive Reform Working Group’s assessment that the Global Fund should calibrate its approach based on the risk environment. Furthermore, the HLP noted that the Fund’s existing fiduciary control mechanisms are not consistently applied; and that standards for implementation of Global Fund grants are sometimes lowered in inappropriate application of the principle of Country Ownership.

49. The Global Fund will implement a comprehensive framework for the assessment, mitigation and management of corporate and operational risks. The existing corporate risk management framework (approved by the Board in 2009) will be revised to sharpen definitions of risk types and accountabilities. In accordance with the 2012–16 Strategy, the revised framework will cover ethical risks, including risks related to the human rights implications of Global Fund investments.

50. Associated with this framework, a new risk register will be developed to allow the Board, Secretariat and Office of the Inspector General (OIG) to identify emerging risks, provide periodic guidance on risk tolerance, and monitor and manage changes in corporate risk on an on-going basis. A Chief Risk Officer has been recruited who will be responsible for overseeing the implementation of the new approach, including regular reviews of the register.

Department for International Development

March 2012
### Annex 1

<table>
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<tr>
<th>UK’s share of total pledges and contributions to the Global Fund for 2007-2011</th>
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<td>184,071,300</td>
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<td>7.02 percent</td>
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* This represents an assumed UK annual pledge of GBP £128 million. Please note that the GF’s pledges and contribution table posted in its website indicates a different figure: the amount contributed is entered as being the amount pledged.

** The figures used here reflect the assumed UK pledge of GBP £128 million, or USD $ 199,680,000 (based on the average exchange rate for those two years). The UK pledged £1 billion for 2008 to 2015, and the assumed pledge was simply the unpaid balance spread evenly over 2010–15.

*** Includes frontloading from future periods.
1.0 Introduction

1.1 The Roll Back Malaria (RBM) Partnership, hosted by the World Health Organization, is the global framework to implement coordinated action against malaria. It mobilises action, resources and forges consensus among partners. The Partnership is comprised of more than 500 partners, including malaria endemic countries, their bilateral and multilateral development partners, the private sector, nongovernmental and community-based organisations, foundations, research and academic institutions.

1.2 RBM’s Malaria Advocacy Working Group (MAWG) welcomes the opportunity to input into this important inquiry and will be happy to answer questions or expand upon this submission at the oral evidence session on 17 April 2012. We will be represented at the session by Alan Court, Senior Advisor to the United Nations (UN) Secretary General’s Special Envoy for Malaria and Chair of the RBM Board’s Resource Mobilisation Committee.

1.3 The key points RBM would wish to make are:

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- The Global Fund to Fight AIDS, TB and Malaria (GFATM) is the largest single source of international financing to tackle malaria: currently representing more than half of the global malaria budget. As such, its continued funding is critical to sustaining the gains achieved since its inception and to realising the UN Millennium Development Goals for health.

- The achievement of DFID’s own malaria goal to, “contribute to at least halving malaria deaths in at least ten high burden countries by 2014–15,” relies on a well funded and well managed GFATM. Without it, the goal cannot be met.

- DFID should honour its public commitment to provide increased funding for GFATM; and use this announcement to influence and encourage other donors (including the G20) to do likewise by supporting the creation of a pledging opportunity for global leaders.

2.0 The Current Funding Situation of the Global Fund and DFID’s Contribution to the GFATM

2.1 The Global Fund to Fight AIDS, TB and Malaria (GFATM) is the largest single source of international financing to tackle malaria: representing more than half the global malaria budget. DFID is the second largest bilateral donor for malaria after the US. Together the UK, US and GFATM’s support for malaria control is key to our prospects of achieving the international community’s goal of “reducing malaria deaths to near zero by 2015” set under the framework of the UN Millennium Development Goals.

2.2 In December 2010, DFID published “Breaking the Cycle: Saving Lives and Protecting the Future” which details the UK’s Framework for Results for its investment in malaria. The Framework states DFID’s overall goal as: “we will contribute to at least halving malaria deaths in at least ten high burden countries by 2014–15.”

2.3 The Framework for Results made it quite clear that GFATM will, “remain an important channel for UK aid in supporting malaria results.” It attributed 26% of the UK’s contribution to GFATM (£13 million in 2008–09) to malaria. DFID has been a key supporter of the innovative Affordable Medicines Facility for Malaria which is managed by GFATM. Overall DFID’s Framework committed the government to invest up to £500 million per annum on tackling malaria by FY 2014–15.
2.4 Since 2005, there has been a dramatic rise in the overall international spend on malaria and a significant portion of that has been thanks to the GFATM (see attached power point slide 1). This international support has contributed to a significant reduction in malaria cases and deaths over the same period. WHO figures tracking progress since 2000 show a 26% drop in malaria mortality rates globally and a 33% drop in Sub Saharan Africa. This is a tremendous achievement and one that would not have been possible without the GFATM, DFID and partners including those represented here by the Roll Back Malaria Partnership.

2.5 There is, however, a significant projected funding gap for malaria between now and 2015: GFATM should continue to be a vital source of additional funds to close this gap (see slide 2). However, the GFATM anticipated funding for malaria has been significantly cut and is currently very hard to project (see slide 3).

2.6 Originally Round 11 was expected to generate country proposals worth around US$1.8 billion for malaria in Africa. After the cancellation of Round 11, funding requests had to be slashed to the bare minimum to sustain existing services through the Transitional Financing Mechanism (TFM). It is now not yet clear if sufficient resources are available to fulfil the TFM level of requests for support. In order to further prioritise future GFATM funds, a Continuity of Services (CoS) funding window has been established. This current CoS does not include provision to fund any malaria interventions whatsoever: a position both RBM and DFID believe should be reversed.

2.7 In 2012, we now face an unprecedented challenge. Without an increase in GFATM funding or a viable alternative resource, we will not be able to sustain universal coverage of malaria prevention, diagnosis and treatment tools; putting lives in danger and risking a significant resurgence of malaria cases and deaths.

3.0 THE PROSPECTS FOR DFID ACHIEVING ITS DEVELOPMENT OBJECTIVES IF CURRENT FUNDING SHORTFALLS AT GFATM ARE NOT ADDRESSED

3.1 DFID’s overall malaria goal is to: “contribute to at least halving malaria deaths in at least 10 high burden countries by 2014–15.” These 10 countries will be taken from an overall group of 18 countries where the Framework for Results states DFID is committed to funding malaria programmes.

3.2 DFID’s goal is rightly a collaborative one and the country plans developed to implement its goal note the different partners with which DFID is working. GFATM is a significant, if not the leading, source of malaria prevention, diagnosis and treatment support in many of these countries and the threat to GFATM funding for malaria means DFID may not be able to achieve its own malaria goal.

3.3 For example, the following DFID priority countries planned to submit comprehensive Round 11 GFATM proposals for malaria: Afghanistan, Burma, Ethiopia, Rwanda, Tanzania, Yemen, and Zambia. With the cancellation of Round 11 there will likely be serious funding gaps in malaria prevention and control moving forward. Five of these countries (Burma, Ethiopia, Zambia, Yemen and Afghanistan) will now be submitting proposals to continue existing activities through the Transitional Financing Mechanism. However, any expansion plans to increase the number of people able to access malaria prevention, diagnosis, treatment and care measures with support from the GFATM have had to be put on hold. With additional cuts of at least 25% to phase II budgets for existing GFATM grants, malaria programmes in many other countries will also be affected by the funding restrictions.

4.0 THE IMPACT ON PEOPLE IN DEVELOPING COUNTRIES FROM THE DELAY IN FUNDING OF NEW GLOBAL FUND GRANTS

4.1 The UN goal of reducing malaria deaths to near zero by 2015 requires:

— Universal coverage of vector control interventions: Insecticide Residual Spray (IRS) and Long Lasting Insecticide treated Nets (LLINs).
— Case management and diagnostic testing with Rapid Diagnostic Tests (RDTs) or microscopy.
— The treatment of uncomplicated malaria with Artemisinin Combined Therapy (ACTs) and the treatment of severe malaria.
— Health System Strengthening to ensure adequate health professionals to diagnose and treat patients.
— Monitoring and surveillance to improve health services and monitor and act to prevent insecticide and drug resistance.

4.2 RBM has estimated that with sufficient funding and political will, we could collectively save up to 3 million lives from malaria by 2015. However, there are significant funding gaps for each of these interventions (see slide 4).

4.3 A reduction in global funding for malaria could reverse the recent decade of progress and repeat the previous experiences witnessed in the 1960s when dwindling political will and financial resources led to a massive resurgence in malaria in Sri Lanka and other countries.
4.4 Therefore there are a range of potentially very damaging effects including:

4.5 Reversing success in malaria prevention, diagnosis and treatment

GFATM is a key source of funding for different malaria commodities. Malaria interventions need to be sustained for their effects to continue; many of the nets, that have proved so effective in preventing malaria, will need to be replaced before the next anticipated opportunity for GFATM funding in 2014–15. If the identified funding gaps are not filled, we will expect to see significant resurgence in malaria including outbreaks and epidemics such as was seen in Rwanda in 2010 (see slide 5).

4.6 Increasing the likelihood of drug resistance

A reduction in funding for malaria drugs, particularly Artemisinin Combined Therapy (ACTs), could well:

— Encourage drug misuse through self-rationing of pills rather than completing the full treatment course and hoarding under unsuitable conditions which diminish efficacy.

— Reverse progress to end the practice of using monotherapy drugs (which are now subject to high levels of resistance) in favour of the more expensive ACTs.

— Expand drug resistance beyond the Mekong area of South East Asia. For example, Myanmar had a relatively small Round 9 grant for malaria but was hoping to secure a Round 11 grant with a particular focus on artemisinin resistance containment as well as general malaria control programmes.

— Expose more patients to fake drugs. If drugs are no longer available in the public sector, more will be purchased in private markets, already infiltrated with falsified and substandard drugs in most malaria-endemic countries. This increases the risk of side-effects, resistance and death, both from malaria or from the ingredients in falsified drugs.

4.7 Diminishing the Capacity of Health Systems

Already, National Malaria Control Programmes (NMCPs) are struggling to maintain adequate surveillance and case management. With reduced funding, monitoring and evaluation programmes will be curtailed or cease and will result in the loss of vital information to NMCPs against which the impact of interventions and investment in malaria control and elimination efforts is judged. This will open the door to a spread of the parasite, and further insecticide and drug resistance.

5.0 The UK’s Role in Influencing Other International Donors

5.1 The UK is a critical supporter of GFATM and currently holds the Chair of the GFATM Board. Evidence from UK publications such as the Multilateral Aid Review (MAR), which rated GFATM as “providing very good value for the British taxpayer”, are widely disseminated and discussed internationally. Other donors hold the rigor with which the UK assessed the GFATM in high regard and will be looking for the UK’s lead in assessing the quality and impact of the GFATM’s current reform measures—many of which were recommended in the MAR.

5.2 At the launch of the MAR Andrew Mitchell committed to “increase funding” to those organizations assessed as offering good value for money, including GFATM, “because they have a proven track record of delivering excellent results for poor people”.

5.3 A significant announcement of increased support from the UK would be a major boost to GFATM and its reputation as a credible, effective organization delivering good value for money for aid investment. Furthermore, the UK has the opportunity to use its announcement to influence and encourage other donors (including the G20) by supporting the creation of a pledging opportunity for global leaders and through its private bilateral discussions with other potential donor partners.

6.0 Reforms Undertaken by GFATM to its Management and Business Model, and Improve Risk Management

6.1 GFATM has successfully helped to reduce malaria cases and deaths and has, in recent years, improved its performance by:

— Reaching out to the RBM partnership to help guide the funding proposal preparation process leading to a doubling of GFATM funding for malaria in the past few years with a greater than 75% success rate in Africa.

— Resolving bottlenecks in the approval and funding process which has led to a swifter disbursement of funding.
6.2 The DFID Framework for Results sets out a very helpful list of suggested areas of improvement for the GFATM which RBM would endorse, including:

— Reducing further the delays in disbursement and transaction costs in grant management: working with partners and countries to help ensure resources already secured are not lost and delays in signature and disbursements are avoided.

— Looking for enhanced efficiencies such as: effective pooled procurement and standardized logistics.

— Increasing flexibility and responsiveness eg changing the targets for malaria drug use following the scale-up of malaria diagnostics which are thought likely to report lower confirmed malaria cases than previously thought.

— Including malaria in the Continuity of Services when there is a shortage of overall funds and GFATM is continuing to evaluate and improve its operations.

7.0 RELEVANT COMMENTS NOT COVERED IN THE ABOVE

7.1 We would like to draw the attention of the IDC to the work of the African Leaders Malaria Alliance (ALMA) and its recent statement on financing malaria efforts.

7.2 In recent years, 42 African Heads of State and Government have joined together to form the ALMA. Together they work to accelerate progress towards the UN malaria goals. The group met on 30 January 2012 to discuss the urgent global malaria funding crisis. The meeting issued a statement in which the ALMA Heads of State and Government strongly urged the UN Secretary General to convene a financing conference in 2012 to bring together the world’s financial leaders to address the urgent gap in funding for Malaria, HIV/AIDS, TB, and Maternal, Neonatal and Child Health. The statement went on to commit the African leaders to explore ways to increase domestic funding and it fully endorsed the recommendations of the GFATM High Level Independent Review Panel, as they relate to partner countries and beneficiaries of the GFATM, including enhanced transparency and accountability.

8.0 CONCLUSION/KEY ASKS OF DFID

8.1 RBM has estimated that with sufficient funding and political will, we could save up to 3 million lives from malaria by 2015 (see slide 6) and achieve the UN malaria goal of reducing malaria deaths to near zero by 2015.

8.2 In the foreword to DFID’s Framework for Results, the Secretary of State says, “Our Coalition Government is determined to play a full part in helping to achieve the international targets for malaria by 2015.” RBM strongly welcomes this and DFID’s specific target to “contribute to at least halving malaria deaths in at least ten high burden countries by 2014–15.”

8.3 To succeed in this effort RBM recommends:

A. DFID support calls by African Leaders and the wider malaria, HIV/AIDS and TB communities for the creation of a pledging opportunity (including G20 countries) to address the GFATM financing gaps.

B. DFID use this global pledging opportunity to announce a significant increase in its support to GFATM, in line with the results of the MAR.

C. DFID use its influence to encourage other donors to up this year’s pledges to the GFATM to help meet the projected gap it is facing.

D. DFID take account of recommendations on GFATM reform (outlined above) in ongoing discussions with the GFATM.

E. DFID encourage the GFATM to ensure a more partnership oriented, joint problem solving, approach, including working closely with partners to ensure the unique country ownership concept is maintained in the new GFATM business model.

F. DFID continue to encourage and closely track progress on reforms at GFATM and help promote progress to other partners.

REFERENCES


3 Ibid, “attribution of UK government spending to malaria” table 5, page 59


5 Burma, Zimbabwe, Tanzania, India, Malawi, Ghana, Rwanda, Somalia, Nigeria, Uganda, Zambia, DRC, Burundi, Ethiopia, Kenya, Mozambique, Sierra Leone and Sudan.

Roll Back Malaria
Malaria Advocacy Working Group
submission to the

UK International Development Committee:
The Global Fund to Fight AIDS, Tuberculosis
and Malaria

International Development Committee
April 2012

Dramatic increase in global funding for malaria:
US$200 million in 2004; US$ 1.8 billion in 2010

Projected funding gap for malaria in Sub-Saharan Africa

US$ gap

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Global Fund Malaria Resources for Sub-Saharan Africa

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Country needs assessment for commodities to sustain universal coverage: Africa 2012-2015

**LLINs**
- Required: US$ 4.2 billion
- Available: US$ 2.3 billion
- Gap: US$ 1.9 billion

**RDTs**
- Required: US$ 986 million
- Available: US$ 486 m
- Gap: US$ 500 m

**ACTs**
- Required: US$ 1.17 billion
- Available: US$ 634 m
- Gap: US$ 541 m

Total estimated financing gap till 2015 to sustain universal coverage US$3 billion (does not include private sector commodities LLINs, RDTs and other costs such as BCC, M&E, programme management)

Malaria resurges rapidly when coverage drops: example Rwanda

Net coverage dropped due to delayed funding disbursements followed by an upsurge in cases. Cases fell again after LLINs were distributed.
What could we achieve in the next 5 years, or what could we lose?

Up to 3 million more lives in sub-Saharan Africa can be saved by 2015

Written evidence submitted by Gabriel Jaramillo, General Manager of the Global Fund to Fight AIDS, TB and Malaria

I deeply appreciate the United Kingdom’s leadership on global health and in the growing consensus that by saving lives, innovative and accountable international health programs contribute directly to stability, economic growth, and security throughout the world. In my view, this is the best return on investment you can find anywhere.

At the Global Fund, we are currently in the process of transforming our organization to deliver on investments even more effectively than in the past. As a result of the challenging financial environment, we need to be even more efficient, more careful about risk and more focused on results than ever before. In the past, we have enjoyed a highly effective partnership with DFID, and we share a common vision and passion for treating and preventing disease. We ask for your continued support of the UK’s financial contributions to the Global Fund, and I personally pledge that we will ensure it is an outstanding investment. I would like to update everyone on the current situation at the Global Fund.

Comprehensive Transformation

Under the leadership of our board and with strong input from the UK delegation, the Global Fund launched a comprehensive transformation late last year that is aimed at increasing the efficiency and effectiveness of its operations. We are making it simpler and speedier for countries to apply for grants. We are improving on-the-ground oversight and management of grants so that implementation by partners is more efficient. We are enhancing transparency in procurement and price negotiations. We are strengthening financial and fiduciary controls. But our core values and principles have not changed. We believe in accountability, and we have a strong and independent Inspector General. We are committed to transparency. We publish full audit report findings on our public web site—an unprecedented step in this field. We have zero tolerance for misuse of funds. When instances of fraud are suspected or confirmed, we act swiftly to suspend or terminate programs, refer alleged wrongdoers for prosecution, impose additional safeguards and relentlessly pursue recovery of misspent funds.

Outstanding Results

While we are a forward-looking institution, we keep a perspective on how far we have come. Ten years ago the world was confronted with an unprecedented crisis: six million people were dying every year from AIDS, tuberculosis and malaria. Not only did these diseases cause unimaginable human suffering but they also destabilized communities and regions around the world, with severe consequences for the economic development of the countries most affected. Tragically, these deaths were avoidable and preventable as treatment and prevention was available for those who could afford it.
In the face of these threats, in 2002, the U.K. government recognized the gravity of the situation and helped create the Global Fund. With the support of the U.K. and other donors, the Global Fund has approved $22.6 billion for programs in 150 countries, and its programs have saved millions of lives. A full 8.6 million people have been treated for tuberculosis. Most African families are now protected from malaria through 230 million insecticide-treated nets. More than 3.3 million people are receiving AIDS treatment through Global Fund-supported programs.

With the help of DFID and other aid programs, these services are achieving real and measurable impact. AIDS deaths have decreased worldwide from 2.1 million per year in 2001 to 1.8 million in 2009. HIV incidence has dropped by more than 25% in 33 countries since 2001. TB incidence has fallen in five of the six WHO regions. Malaria infections have declined by 50% or more in a dozen African countries. As a direct result of U.K. and other donor investments, we are within striking distance of wiping out mother-to-child transmission of HIV and, with enough will and resources, we could potentially end malaria as a public health problem by 2015. These goals were unthinkable even a few years ago.

**Innovative Principles**

The Global Fund is a leader at using innovative principles:

1. We maximize country ownership by letting nations design their own programs, while holding them accountable for effective implementation. We do not pre-allocate funding to specific countries or diseases but respond to genuine demand, taking into account the quality of proposals, disease burden and income indicators. This approach has resulted in a distribution of programs across regions that broadly corresponds to the burden of disease. In addition, the Global Fund insists that lower and upper middle income countries contribute 35% and 65% of program costs, so that we can support the countries that need funding most and can most effectively use it while taking into account their ability to contribute.

2. We partner effectively with a wide range of private-sector organizations that provide valuable resources and increase awareness (like Chevron and the Bill and Melinda Gates Foundation), and provide invaluable expertise on implementing programs (like Coca-Cola, with its skills in supply-chain management in remote areas).

3. We involve civil society in all aspects of its operations, including local non-governmental organizations and faith-based organizations.

4. We remain purely a financier of health programs with a small administration to keep costs as low as possible.

5. We insist on performance-based funding to make sure that resources are only invested in high-performing grants that achieve concrete results. Disbursements are dependent on reporting on the achievement of results against preset targets. Numerous measures are in place to secure cost effectiveness in implementation of funded programs. Some of these include the Enhanced Financial Reporting and Program and Quality Reporting mechanisms and the recent introduction of the voluntary pooled procurement mechanism. These initiatives aim to transparently record and provide data (including on standardized unit costs) to implementing countries and development partners. That supports them in reforming their procurement and health information management systems and achieving economies of scale in their purchases.

6. We operate with an unprecedented level of transparency and accountability. The Global Fund is a signatory to the International Aid Transparency Initiative.

**UK Support**

The UK has positioned itself as the Global Fund’s third largest donor based on cumulative contributions paid to date (USD $1.662 million). While the UK has not made a pledge for the Fund’s third replenishment (2011–13), it made a multi-year commitment of £1 billion for the period 2008–15 through an MOU and it provided much-appreciated support at critical junctions in 2010 and 2011 through additional contributions and frontloading from future periods. Here is a funding overview:

<table>
<thead>
<tr>
<th>UNIFIED KINGDOM</th>
<th>Contributions</th>
<th>Pledges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount (USD equivalent) (millions)</td>
<td>196.0</td>
<td>250.0</td>
</tr>
<tr>
<td>347.3</td>
<td>312.8</td>
<td>571.2</td>
</tr>
</tbody>
</table>

The United Kingdom has done more than contribute to the Global Fund. It has done more than take part in the creation of the Global Fund and in the formulation of its key principles, designed to make it one of the most transparent, accountable, and results-driven multilateral organizations in the world. It plays an active leadership role on the Global Fund’s board, guiding the current transformation through the Chairmanship of the Board, first by Mr. Martin Dinham and currently by Mr. Simon Bland.
VALUE FOR MONEY

In difficult economic times, hard choices have to be made. We believe that resources allocated to the Global Fund represent excellent value for money. The multilateral aid review conducted by DFID in 2010–11 came to the same conclusion. After conducting a rigorous review of 43 international organizations to which the UK contributes, they found that the Global Fund was one of only nine to give “very good value” to the taxpayer and which will legitimately receive increased funding despite sizeable budget reductions. The review found that the Global Fund’s “standards for financial management and audit are very high,” and that the Fund’s decision to “require recipients to publish procurement data has been a major driver for a range of innovations in transparency.”

We believe that we are the world’s most powerful weapon against AIDS, TB and malaria, and a reduction in our resources would directly result in lives lost. But the stakes are actually much higher than that. We now stand at a crossroads. If the U.K. maintains its leadership and continues to leverage the support of other donors, we can turn the corner and severely reduce the incidence of these three diseases. That will decrease the future need for funding, as it increases stability, growth and security around the globe. But if we pull back at this critical moment, human suffering will increase and long-term growth and stability will be impaired. If we lose momentum, it will require even more costly investments in the future to get back on track. For these reasons, we urge this committee to support the continuation of strong financial support by the UK for the Global Fund.

May 2012

Written evidence submitted by UK Coalition to Stop TB

INTRODUCTION AND BACKGROUND ON TUBERCULOSIS (TB) AND THE GLOBAL FUND

1. Two billion people are currently infected with TB. In 2010, TB killed 1.45 million people.1 Drug-resistant TB is emerging that is more costly and difficult to treat. In 2010 there were an estimated 650,000 cases of multi-drug resistant TB (MDR-TB).16

2. The Global Fund has played a pivotal role in detecting and treating 8.6 million cases of TB over the past 10 years.17 By mid-2011 almost 20,000 patients had enrolled on Global Fund-supported MDR-TB treatment—an increase of almost 20% over 2010.18 The Fund’s Strategy for 2012–16 aims to put another 21 million people on TB treatment, and advances in TB diagnosis and prevention have the potential to shift the TB response to the next level.19

3. With the cancellation of Global Fund round 11, potential gains in TB control will be lost. The WHO Stop TB Partnership estimates that over the next five years, 3.4 million people will go untreated20 and 1.7 million people will lose their lives to TB.21

THE CURRENT FUNDING SITUATION OF THE GLOBAL FUND AND DFID’S CONTRIBUTION TO THE FUND

4. While bilateral donor funding plays an important role in tackling malaria and HIV/AIDS,22 the Global Fund accounts for 84%23 of donor funding for TB.24

5. The Department for International Development (DFID) currently has no bilateral programming planned for TB, and states that the Global Fund is the principle mechanism that the UK uses to drive its response to TB and HIV.25

6. The Global Fund has created a Transitional Funding Mechanism (TFM) to support countries with active programmes that will no longer be able to access the new funding planned in the cancelled Round 11. The TFM places counter-part financing conditions on domestic governments.26

7. Despite domestic financing accounting for 86% of total funding for TB, TB programmes remain under-resourced.27 Further pressure on domestic budgets to increase TB money, along with tight TFM restrictions means that it is unlikely that basic TB programming needs will be met, let alone be scaled up, or new patients reached.

8. Ten countries will finish their existing Global Fund TB grants in 2012, eight countries in 2013 and 10 in 2014. The Stop TB Partnership has projected that as a result, TB funding will be US$ 1.7 billion less than anticipated over the next five years.28

9. Despite the UK government making commitments to increase its contribution to the Global Fund,29 such commitments are yet to be realised. Now that the TFM application process has closed, a clear assessment can be made regarding the actual funding gap.

10. The Fund is making concrete progress in its reform agenda guided by the new General Manager, Gabriel Jaramillo and the Board Chair, (UK representative) Simon Bland. The UK is in a unique position to steer this agenda, and lead international donors to ensure the Fund is fully resourced whilst further reforms are undertaken.
The Prospects for DFID Achieving its Development Objectives if Current Funding Shortfalls at the Fund are Not Addressed

11. The multilateral aid review rated the Global Fund as “very good value for money”, signalling a shift from bilateral funding for TB and HIV to a reliance on organisations such as the Global Fund to deliver on commitments.

12. Of the countries that will run out of TB grants over the next three years, 10 are DFID priority countries. In all of these countries, DFID pledges to put women and children at the centre of their efforts.

13. TB is the third leading cause of death among women of reproductive age (15–44). 500,000 infants and children become infected with TB annually and 70,000 die. The Global Fund addresses the gender dynamics that fuel TB, HIV and malaria. With DFID bilateral programming currently neglecting strategies and indicators to address the impact of TB on women and children, it is through Global Fund programmes that the UK will see results.

14. In DFID’s HIV/AIDS position paper, they emphasise the needs of the most vulnerable populations. The Global Fund reaches populations most at risk, who are often neglected by domestic TB programmes. The Fund supports social care initiatives that governments do not have the capacity to finance, but that are critical to TB treatment success, such as nutritional and anti-stigma programmes and psychological support for MDR-TB patients.

15. Unless the current funding crisis is addressed, UK objectives towards improving the lives of the most at risk and vulnerable, including women and children, will not be achieved.

The Impact on People in Developing Countries from the Delay in Funding of New Grants

16. Approximately 157,286 patients in Africa are at risk of TB due to the funding crisis. In Tanzania where the Fund provides 39% of the TB budget, 45,637 TB patients are at risk of not receiving treatment. 68,000 people will go undiagnosed, 6,000 of these will be children. Tanzania’s TB grant runs out in November 2012 and although Tanzania is eligible for the TFM, they will not be able to scale up any services, or reach new patients.

17. The crisis presents a particular threat to the European region where middle-income countries such as Romania face a reduction in funding due to eligibility criteria. Despite overall progress, drug resistant TB is a major concern in the region, particularly amongst hard to reach populations.

18. The European Member States have endorsed a plan to scale up the response to MDR-TB, taking into account new diagnostics, patient-centred models of care and tailored services for specific population. Restricted funding now threatens the implementation of this plan in some of the highest MDR-TB burden countries in the world.

19. It is estimated that the funding crisis will leave 244,000 people without TB treatment over the next two years. The numbers of people affected will only continue to multiply the longer the funding crisis continues, and UK development objectives in TB and HIV will not be met.

20. The UK must lead the international community to an urgent replenishment of the Global Fund to avoid current gains in TB control being lost.

Recommendations to the UK Government

21. Use its leadership position at the Fund to ensure the G20 Summit in Mexico in June 2012 is maximised to mobilise sufficient resources to create a new funding opportunity in 2012 and 2013.

22. Set an example to the donor community by increasing their contribution to the Global Fund—making an additional commitment of £384 million over the three years replenishment period 2011–13.

23. Work with European counterparts to ensure that the needs of marginalised and vulnerable communities in countries no longer eligible for Global Fund support are met.

References


Such as conclusive data on treatment as prevention, early initiation of ART, male circumcision, pre-exposure prophylaxis, microbicides, use of IPT and diagnosis tools such as Genexpert.


Ibid—this does not take into account the loss of a possible Round 12 in 2013.

Such as through PEPFAR for HIV/AIDS and DFID bilateral support for malaria.


Although TB funding has increased by 50% since 2006, to an expected US$ 0.6 billion in 2012, it still falls far short of funding for malaria (US$ 1.8 billion in 2009) and HIV (US$ 6.9 billion in 2010—Global TB Control Report 2011. Geneva, World Health Organization.


An increase in domestic budgets for health is certainly needed—many governments remain a long way from fulfilling their commitments towards 15% of money for health—http://www.who.int/pmnch/media/press_materials/pr/2011/health_financing_scorecard.pdf


A PQ from Andrew Mitchell on the need for reforms before a commitment will be made http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120326/text/120326w0002.htm#120326w0002.htm_sbh162

Burundi, Cambodia, Dominican Republic, Malawi, Mozambique, Sierre Leone, Sri Lanka, Tajikistan, Tanzania, Zambia.

http://www.action.org/site/get_educated/tuberculosis_anUnchecked_killer_of_women

The true global burden of TB in children is unknown because of the lack of child-friendly diagnostic tools and inadequate surveillance and reporting of childhood TB cases.


A recent PQ from Andrew Mitchell acknowledged that the Global Fund has an important impact on MDG’s 4, 5 & 6 http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120326/text/120326w0002.htm#120326w0002.htm_sbh62


Such as prisoners, drug users, sex workers and the homeless.

For example, in Romania the Global Fund supports psychological support and social vouchers for transport and food, for MDR-TB patients. Without this support many patients would be lost to treatment.


Romania has by far the highest prevalence rate of TB in the EU, at 158.4 per 100,000, approximately 10 times the rate in the UK. Due to the funding crisis, it is estimated that 1,000 MDR-TB cases in Romania will remain undiagnosed with 500 not treated.

Tuberculosis surveillance and monitoring in Europe 2012 European Centre for Disease Prevention and Control (ECDC).


The Global Fund has granted funding for MDR-TB activities in 12 of the 15 high-burden countries in the European region.

Source: Unpublished data from the Stop TB Partnership, March 2012—The true impact is likely to be much higher, given that this estimate does not take into account the risk of untreated patients infecting 10–15 more people every year.
This figure may vary across submissions due to exchange rate fluctuations. Fair share calculations were made in dollars, with the UK’s being US$1.245 billion. In 2010 that equated to approximately £840 million. Today it is closer to £780 million. The fact remains that the UK must more than double its contribution for this replenishment period (2011–13) to reach its fair share—at least an additional £384 million.

May 2012

Written evidence submitted by UK Consortium on AIDS and International Development—TB/HIV Working Group

This submission is made on behalf of the TB/HIV Working Group of the UK Consortium on AIDS and International Development. This submission highlights the particular implications of the current Global Fund funding crisis on people affected by TB/HIV co-infection.

Alongside the submission made by UK Coalition to Stop TB, this evidence aims to demonstrate the critical role of the Global Fund in ensuring that the UK Government meets their development objectives on TB and HIV.

Summary and Background

— The deadly effect of TB and HIV co-infection impedes progress and undermines investments made towards tackling the two diseases. TB/HIV co-infection continues to pose a major public health emergency, particularly in Africa. In 2010, TB caused an estimated 350,000 deaths among people living with HIV.

— International guidelines recognise that integrated programming is the most effective way to meet the needs of patients. A growing recognition of the effectiveness of service integration led to a significant expansion of TB/HIV services in 2010, particularly in sub-Saharan Africa, which bears the brunt of the dual epidemic.

— The Global Fund provides for half of all those people receiving treatment for HIV and supports 83% of international funding for TB. The Fund has played a critical role in supporting countries to better integrate TB and HIV services, along with maternal and child health programmes.

— In June 2011, new evidence from scientific modeling released by the Stop TB Partnership, UNAIDS and the World Health Organisation (WHO) illustrated how over the next four years one million TB deaths could be saved among people living with HIV, through the expansion of existing interventions.

— However, as a result of the current shortfall in Global fund resources and the cancellation of Global Fund Round 11, the potential gains outlined in this modeling cannot now be achieved.

Recommendations

— The UK Government must make good their commitment to the Global Fund by delivering on their promise to increase investment—they should increase their contribution by making an additional commitment of £384 million over the three year replenishment period 2011–13.

— As a leading donor, the UK Government must support the Global Fund to create a new funding window in 2012 and 2013. The G20 meeting in Mexico in June 2012 provides the ideal opportunity for the UK to make a bold pledge, creating a catalyst for other donors to follow. The role that the UK can play in mobilising new donor commitments should not be under-estimated.

The Current Funding Situation of the Global Fund and DFID’s Contribution to the Fund

— Between 2002–10, Global Fund-supported programs provided 2.4 million TB/HIV services, including 530,000 services delivered in 2010 alone. Reflecting the burden of co-infection in the region, sub-Saharan Africa accounted for 65% of the total Global Fund investments for TB/HIV services, and TB grants in the region allocated the majority of their budgets to TB/HIV services and first-line drug treatment.

— The Global Plan to Stop TB estimates that the total funding required for TB/HIV interventions is estimated to be US$ 2.8 billion for 2011–15. Much of this funding would be sourced through the Global Fund, and to deliver results would require a scale up of current activities.

— The Global Fund is critical to the delivery of global targets on TB/HIV integration.

— Through their multilateral aid review, the UK was the first government to publicly acknowledge how critical the Global Fund is to the delivery of MDG6. Other international donors, including most recently the Australian Government, have echoed the UK in commending the Global Fund for delivering results for the poorest people through high impact investments.
THE PROSPECTS FOR DFID ACHIEVING ITS DEVELOPMENT OBJECTIVES IF CURRENT FUNDING SHORTFALLS AT THE FUND ARE NOT ADDRESSED

— Despite their stated commitment towards the need for TB/HIV integration, DFID have not outlined any specific strategies or targets for this within their bilateral programming. In “Towards Zero Infections: The UK’s position paper on HIV in the developing world”xv DFID state that their response to the diseases will be driven through the Global Fund. The delivery of their objectives in this area can therefore only be measured through Global Fund results.

— DFID acknowledge that there is a need for more TB/HIV integration within both national programmes and Global Fund applications. The cancellation of round 11, and the restrictive conditions of the Transitional Funding Mechanism (TFM) means that countries will be limited in their capacity to scale up their existing TB/HIV services, or reach new patients.

— In “Zero Infections”, DFID state the need to scale up evidence-based prevention for HIV. For example, new evidence has demonstrated the effectiveness of ART in the prevention of HIV and TB.xvi Whilst early initiation of ART has the potential to fundamentally shift the global response to TB and HIV, countries now have their hands tied due to a lack of funding.

— The risk that TB/HIV poses to womenxvii has to date not been adequately addressed within DFID bilateral programming and policy.xviii Global Fund grants support high-impact HIV, TB and malaria interventions. Essential services to reach women and childrenxix will be affected by the funding crisis, and subsequently UK objectives to save these lives will not be achieved.

THE IMPACT ON PEOPLE IN DEVELOPING COUNTRIES FROM THE DELAY IN FUNDING OF NEW GRANTS

— The TFM is likely to provide funding for essential TB/HIV services in high burden, low-income countries.xv However, the TFM does not allow for any scale up of services,xvi meaning that the ambitious, but not unrealistic target to save an additional million lives, will not be possible. This will have a negative impact on people with TB, including those co-infected with HIV and TB, women and girls with TB, and those infected with multi-drug resistant TB.

— People living with HIV (PLWHIV) are at much greater risk of developing multi-drug resistant TB (MDR-TB). Of the 27 high burden MDR-TB countries, 12 are Stop TB Partnership priority countries for TB/HIV. Treating MDR-TB is more difficult and costly but for people living with HIV, MDR-TB can mean a death sentence. Early diagnosis and treatment is critical, but with TFM restrictions on scale up of MDR-TB services, many countries will not be able to respond to this growing threat. With an estimated 440,000 new cases of MDR-TB per year, the majority of which are undiagnosed,xix this should be the time for countries to actively scale up their response, not pull back.xx

— Pregnant women are particularly at risk from TB/HIV co-infection, and research in 2009 indicated that 58% of maternal deaths in Zambia were from non-obstetric causes, usually linked to malaria or TB/HIV co-infection.xx In Zambia, approximately 80% of people with TB are co-infected. Although progress has been made in Zambia (47% of co-infected patients now receive proper treatment), disruption to existing services is expected when their Global Fund TB grant comes to an end in June 2013. Funding restrictions also mean that Zambia will be unable to scale up its TB response.xxii Hospices that provide palliative care and ARVs, are now on the brink of closure, putting more pressure on an already under-resourced national health system.

— It has been estimated that 10,732 TB patients and 131,971 people living with HIV in Zambia are at risk due to the funding crisis.xxiii

CONCLUSION: THE CRITICAL ROLE OF THE GLOBAL FUND IN SAVING LIVES WORLDWIDE

— Critical TB/HIV support services are also now at risk (psychosocial, physical, nutritional, and socio-economic). Without this support, patients are at risk of not completing treatment, leading to loss of life and an increase in cases of drug-resistance. The TFM guidance note does not consider these programme components essential and many of these services may be cut. For patients, this will be devastating.

— A scale up of TB/HIV integrated care is the only way that the dual impact of these diseases can be overcome. With the cancellation of round 11, thousands more lives will be lost from TB amongst PLWHIV. The Global Fund must be able to support countries to realise their ambitions to end this unnecessary loss of life.

REFERENCES

1 More can be found about the working group through this link http://aidsconsortium.org.uk/working-groups/tb-hiv-working-group/

2 This evidence has been submitted separately through RESULTS UK, who act as the secretariat of the UK Coalition to Stop TB.


Such as antiretroviral therapy and the “three I’s”: Isoniazid preventive therapy (IPT), intensified TB case-finding among people with HIV, and infection control to prevent the spread of TB in health facilities.

This figure may vary across submissions due to exchange rate fluctuations. Fair share calculations were made in dollars, with the UK’s being $1.245 billion. In 2010 that equated to approximately £840 million. Today it is closer to £780 million. The fact remains that the UK must more than double its contribution for this replenishment period (2011–13) to reach its fair share—at least an additional £384 million.


See this link for more information on the impact of TB/HIV on women http://www.action.org.uk/site/geteducated/tuberculosis_anunchecked_killer_of_women

Despite the impact of TB/HIV on women, no indicators for TB/HIV screening and treatment were included in the DFIDs Framework for Results for Reproductive, maternal and newborn health http://www.dfid.gov.uk/rmnh

See this blog for a personal account of the impact on TB and HIV on children http://www.action.org/blog/post/tb_and_hiv_a_deadly_combination_for_children

This includes HIV testing and treatment among TB patients, TB preventive therapy amongst PLWHA and TB screening among high-risk populations. The TFM also allows for ??????

Including the utilisation of new evidence around ARVs as well as scaling up new technologies for better diagnosis of TB (such as the Genexpert machine).


Including; strengthening intensified TB case finding; increasing scale-up of isoniazid preventive therapy, and getting patients a better and more accurate diagnosis using new technologies. The Genexpert machine has proved more effective in diagnosing TB and MDR-TB in patients. Government plans to improve M&E of TB and TB/HIV co-infection in order to better inform their response to the two diseases, will be affected.


March 2012

Written evidence submitted by Aidspan

1. Background Regarding the Global Fund

In April 2001, Kofi Annan declared that there should be a “war chest” of $7–10 billion per year to finance the fight against AIDS. He proposed that much of this should be raised, and then disbursed, by a “Global Fund”.

Within less than a year, the Global Fund to Fight AIDS, Tuberculosis and Malaria (www.theglobalfund.org) went from concept to reality. The Global Fund opened its doors in January 2002 with the stated objective of dramatically increasing funding for the fight against three of the world’s most devastating diseases.

The Global Fund provides about 20% of all international financing for AIDS, about 65% for tuberculosis and almost 60% for malaria. The Fund has approved over $22 billion in grants in 150 countries, and it estimates that programmes that it supports have saved over 8.6 million lives.

From the beginning, the Global Fund has had an astonishing range of supporters, from AIDS activists to US Republican Senators. This is largely because the Global Fund operates differently from traditional forms of foreign assistance: It uses a model that emphasizes control over grants by recipients, and it uses a business-like approach. The Global Fund’s board includes not just donor governments, but also developing country governments, the private sector, foundations, non-governmental organisations (NGOs), and people living with the three diseases. The programmes to be funded are designed and run by the recipient countries, usually without the Global Fund telling them what it believes is in their best interest. Grant approvals are based purely on feasibility and technical merit, with no consideration given to ideological factors. With some grants, significant portions of the money are passed through to grass-roots NGOs. Overhead costs are kept to a minimum, with the Global Fund having no offices apart from the head office in Geneva. And the grants are “results-based,” meaning that if the results promised by recipients are not delivered, the grant may be terminated and the money diverted to more effective programmes.

This no-nonsense, no-frills approach was aptly summarised by Richard Feachem, the Global Fund’s first Executive Director, in six words: “Raise it. Spend it. Prove it.” However, the sequence is really “Spend it. Prove it. Raise it.” The Fund has to spend its money effectively. Then it has to prove that the expenditure had led to good results. Then it has to point to those results to persuade donors to give more.

2. Background Regarding Aidspan

I am the founder and Executive Director of Aidspan (www.aidspan.org), an NGO which serves as an independent watchdog of the Global Fund. Aidspan has existed almost as long as has the Global Fund, and we have had observer status at Global Fund board meetings since 2004; I have had observer status at Global Fund board meetings since 2004; I have known most of the Fund’s senior managers and many of its board members; and I have visited many Global Fund-financed projects in the field. Aidspan’s activities include publishing Global Fund Observer (GFO), a free email-based newsletter which has nearly 10,000 subscribers. Aidspan has a dozen staff and is based in Kenya.

In November 2011, DFID committed to provide Aidspan with £1.3 million spread over the subsequent four years. This funding will cover about 22% of our budget during that period.

Aidspan does not allow its strategic, programmatic or editorial decision-making to be influenced by the Global Fund or by relationships with actual or potential funders. Thus, neither the Global Fund nor DFID was consulted regarding the contents of this testimony.

In brief, Aidspan’s attitude is that the Global Fund is a unique and crucial institution, and we want nothing more than for it to be successful and effective. And we admire donors such as the UK that are willing to “put their money in the Global Fund pot” without requiring that their money is earmarked for particular countries or projects.

Over the years, the Global Fund has performed quite well. But any institution can improve its impact by 10%, or 5%, or surely 1%. It is those possible improvements that we look for.
3. 2011, THE GLOBAL FUND’S WORST YEAR

The Global Fund recently celebrated its 10th anniversary. The year 2011, which ended with the Fund’s Board forcing the Executive Director to resign, was the Fund’s most difficult to date.

The stage was set for the Global Fund’s problem-filled 2011 when the Fund said in late 2010 that it needed $13–20 billion to meet anticipated demand for 2011–13 (up from the $9.3 billion it received during 2008–10), but donors pledged only $11.7 billion.

Then in January 2011 the Associated Press published an article entitled “Fraud Plagues Global Health Fund,” based on public reports from the Global Fund’s Office of the Inspector General (OIG). The story took off like wildfire. Alarmed, some of the Global Fund’s donors held back on delivering their promised contributions pending clear action by the Fund to deal with fraud.

The OIG’s findings on fraud, although much less significant than was suggested by the AP, were obviously important and required action. But the OIG made little distinction between outright fraud and multiple lesser crimes (such as grant recipients documenting their expenditure using photocopies rather than originals). These and other instances of OIG rigidity led to a very difficult relationship between the OIG and Secretariat.

Somewhat shell-shocked by the media and donor response, the already risk-averse Global Fund further tightened its procedures, leading for a while to a slow-down in disbursements. Even when implementers received their disbursements, they were sometimes nervous about spending the money for fear that they would inadvertently violate some Global Fund rule.

Meanwhile, the Fund set up a High Level Panel to review how the Fund identifies and manages risk in its grant-making. The Panel issued a report in September that was daunting in terms of the number of things it said need fixing.

The downhill trajectory continued when the Global Fund, having launched “Round 11” (its eleventh round of grant-making) in August 2011, cancelled it three months later because of inadequate funding.

Then came a final nose-dive when the Global Fund Board, after reviewing the events of the prior year and conducting an in-depth assessment of the managerial performance of the Fund’s then Executive Director (ED), concluded that he had to go. After the ED ignored strong suggestions that he resign, the Board resolved to appoint a General Manager to whom all top management would report, leaving behind a role for the ED that was “to be determined.” For two months, the Global Fund floundered almost leaderless. Of the seven members of the Executive Management Team that ran the Secretariat, only three were present and productively engaged during this period.

In the midst of all of this, a French magazine published allegations that the Global Fund had inappropriately made payments to an ally of Carla Bruni-Sarkozy, wife of the President of France, to support Ms Bruni-Sarkozy’s volunteer work as an ambassador for the Global Fund. The Fund defended these payments vigorously, saying no rules had been broken.

Finally, on 24 January 2012, the ED announced his intention to resign. On the same day, the Fund announced that the new position of General Manager would be filled by Gabriel Jaramillo, a former banker who specialises in management and turn-rounds and who had served on the High Level Panel.

4. WHAT NEEDS TO CHANGE

The Global Fund performs vital work affecting millions of lives. The Fund cannot afford to have a second year like 2011, and might be permanently damaged if it did. Here are six areas in which, in my view, changes need to be implemented.

(a) The Global Fund must install first-class management

The recently-departed Executive Director’s managerial misjudgements started several years ago, when his approach led to several highly-capable department heads leaving the Fund, and when some of the new department heads he recruited were disappointingly weak. This led, over time, to serious reductions in morale and effectiveness lower down in the organisation.

Both of the Executive Directors that the Global Fund has hired over its first decade were charismatic leaders; but neither had much interest or natural skill in the art of management. The Global Fund is not an entrepreneurial start-up or a university department or a think tank. It is a vast meat-grinder that disburses $3 billion annually, employing 600 staff and working its way through an administrative budget of $370 million. It needs to be led by managerial heavy-hitters.

Current state of play: Since the start of February, the Global Fund has been led by Gabriel Jaramillo. He certainly hit the ground running. He has removed some members of top management; he has informed 140 of the 667 staff that their jobs have been eliminated; and he has created 82 new jobs in the area of grant management. There have been some complaints about how some aspects of this were handled, but that is hardly surprising. By definition, it’s too soon to know what the net effect will be. But the decision-making has been both firm and speedy.
(b) The Global Fund must become less bureaucratic

The Global Fund needs to turn away not only from its pre-2011 attitude (which was, at least in the earlier years, “here’s lots of money—get on with it”) but also from its OIG-inspired 2011 attitude (which was “don’t forget to submit all those workshop sign-up sheets”). The OIG’s job is to identify fraud and, where possible, to eliminate it; in other words, it is to minimise risk. Mr Jaramillo’s job is to maximise the number of lives saved as the result of the Global Fund’s grants. This requires, among many other things, risk-management; but that is not the same as risk-minimisation. Thus, there is an inevitable tension between the OIG’s role and the General Manager’s role.

Putting this in a different way, the Global Fund needs to shift from being a “cashier demanding receipts” to being “an investor demanding results”. The cashier/receipt mentality, triggered primarily by the work of the OIG, has led to excessive bureaucracy and minimal trust. The investor/results mentality can lead to greater trust and more impact. But of course, excessive trust can be abused; there must be verification.

Furthermore, a strong case can be made that what should be verified is the number of people with improved health, not bean-counter items like the number of people attending workshops.

If the Fund can succeed in making these shifts, it can become less bureaucratic, and there’s even a chance that it could achieve the long-lost vision that it promoted in 2002—“simplified, rapid, innovative and efficient.”

*Current state of play:* It’s too soon to know whether the Global Fund will succeed.

(c) The Global Fund must explain itself more clearly

The requirements that developing countries have to follow when applying for or implementing Global Fund grants are very complex. This is to a large extent inevitable; you can’t expect just a two-page application form if you’re applying for tens or hundreds of millions of dollars.

But the fact remains that the Global Fund does a terrible job of explaining itself to the world. Why is it that “The Beginner’s Guide to the Global Fund” (which is available in a 50-page version and in eight-page and two-page summary versions) was written and published by my own organisation, Aidsspan, rather than by the Global Fund? Why is it that nearly 10,000 people have to subscribe to our newsletter *Global Fund Observer (GFO)* in order to learn about developments that the Global Fund has not explained, or has explained in a confusing manner?

Even the Fund’s press releases have at times been confusing. When the Global Fund had to cancel Round 11, the Fund’s press release did not mention the words “cancel” or “Round 11”. Just as bad, the Fund did not make it clear that over the previous year, donors had not reduced or cancelled their pledges to the Fund, as was widely believed. The primary cause of the abrupt reversal regarding Round 11 was the Fund’s fear that donors might reduce or cancel their pledges, either because of donor concerns about Global Fund problems, or because of the economic difficulties that many donors were experiencing. The Fund therefore introduced a more conservative forecasting methodology, which led it to estimate that it could only be sure of about $10 billion in income during 2011–13, rather than the approximately $11.5 billion that it had originally projected. A significant factor here was that the Fund was not sure that the US would contribute the full $4 billion over three years that the US had announced in 2010. (In fact, it’s now looking increasingly likely that the full $4 billion will be provided by the US.) The reduction in the Global Fund’s revenue forecast from $11.5 billion to $10 billion over three years may not sound large; but it had a drastic impact, because the $1.5 billion reduction was almost exactly equal to the anticipated cost of Round 11. And the Board had long since determined—rightly—that new grants (such as would have been provided under Round 11) have to be assigned a lower priority than keeping existing grants going. At the time of the cancellation of Round 11, the Global Fund knew that the costs during 2011–13 of continuing and renewing its existing grants came to about $10 billion. Which left no certain money for Round 11.

Yes, this is modestly complicated. But an organisation that handles many billions of dollars ought to be willing and able to explain such matters clearly. The fact that the Fund did not do so left much confusion within the Global Fund community.

*Current state of play:* The Global Fund is looking for a new Communications Director. Maybe that will lead to better press releases. But I’ve seen no evidence that the Fund plans to improve the clarity and effectiveness of its broader communications with the thousands of people who are involved in applying for and implementing its grants.

(d) The Global Fund must determine whether its grants are more susceptible to fraud than are those of other international donors

The January 2011 AP story that started the Global Fund’s terrible year was based on fraud identified by the OIG (and reported at the Fund’s website) in just four small countries out of the 150 that receive Global Fund grants. Yet the story had the unproven headline “Fraud Plagues Global Health Fund.”

What the Global Fund should have done—and it’s not too late—is to commission an independent group of experts to estimate, based on the available data, how extensive fraud is across the entire Global Fund grant...
5. Two Lingering Concerns

I have a concern that under Mr Jaramillo, with his corporate numbers-oriented background, the Global Fund may start insisting that each of its grants demonstrates measurable impact, rapid results, high value for money and low risk. At first, that sounds eminently sensible. But if such an approach is implemented, the Global Fund will change significantly. The Fund will have to reduce its grants for health systems strengthening (because the payback from such investments in terms of lives saved is indirect and delayed and therefore hard to measure), it will have to reduce its grants to countries with weak governance or micro-managing the Secretariat (which is not). There is a huge middle area—involving thinking proactively about areas of risk and of potential improvement—that hardly ever gets discussed. The Board is only rarely a source of strength. It needs to become one on a permanent basis.

The Board of the Global Fund must be made leaner and more effective

At present, some board members who represent multiple countries are chosen by those countries based on each country’s position in the alphabet. These board members, and certain others, are often insufficiently informed and engaged. This has led to a board that focuses on a mix of putting out fires (which is clearly necessary) and micro-managing the Secretariat (which is not). There is a huge middle area—involving thinking proactively about areas of risk and of potential improvement—that hardly ever gets discussed. The Board is only rarely a source of strength. It needs to become one on a permanent basis.

Current state of play: Over the last few months, the Global Fund has redesigned its board committee structure. And its Audit and Ethics Committee now has a majority of its members who are independent of all board delegations. These are encouraging developments. But I’ve seen no sign yet of plans to reduce the size of the board, to increase the calibre of its membership, or to improve the quality of its discourse.

The Global Fund must re-examine certain aspects of its transparency policy

Two admirable components of the Global Fund model—an OIG that is determined to root out fraud, and a world-class transparency policy—have produced, when combined, some unanticipated consequences. The OIG discovered fraud among certain grant implementers; the Global Fund posted the findings at its website rather than hiding them in a safe as most aid agencies do; the press went wild; Global Fund donors worried about how their taxpayers would feel about funding grants for corrupt implementers; donor pledges were put on hold; and Global Fund growth stalled. This cycle will repeat itself unless the Board is able to devise a policy that permits the Fund to better manage the repercussions of transparency without sacrificing the underlying principle.

Current state of play: By the end of 2011, the OIG was supposed to have completed at least 48 country-level audits. But thus far, it has only published reports on 20 of these. It has published no reports during the past six months. I imagine that this is not just the result of over-work; it is the result of trying to work out how to have audit and investigation reports that are transparent but that don’t lead to firestorms.

5. Two Lingering Concerns

The question is not is there fraud?; it is how persistent is fraud? And the follow-up question is: how does the Fund’s fraud problem compare with that of other multilateral and bilateral funding agencies?

Of course, that second question will be very hard to answer, because no international funding agency—not the World Bank, not DFID, not USAID, not anybody—is as transparent as the Global Fund is about the fraud it unearths. Indeed, I sometimes think—perhaps unfairly—that some agencies would prefer not to know, let alone to publish, which of their grants have led to some leakages through fraud.

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6. **Looking Forward**

So where now? The Board has asked Mr Jaramillo to serve not only as General Manager for up to a year, but also as the Global Fund’s interim leader until a global search for a new Executive Director is launched and completed. Mr Jaramillo’s current task is to get the currently somewhat dysfunctional and traumatised Secretariat rapidly up to speed.

There’s a real chance that the difficulties of the past year will end up being seen as the darkness before the dawn. If the Global Fund can push out its Executive Director, hopefully it is also willing to make other important though less dramatic changes. The Fund could take inspiration from the GAVI Alliance (formerly, the Global Alliance for Vaccines and Immunisation). In mid-2010, GAVI went through a major management overhaul, which included the departure of its CEO and the appointment of a new one six months later. Then GAVI announced in early 2011 that it had suspended grants to four countries because of suspected fraud. Yet in mid-2011, donors committed 15% more funding than GAVI had asked for. It can happen.

*May 2012*