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

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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).

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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. 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. It has earned a reputation over the past decade as an effective international financing institution and claims to have helped save millions of lives. It currently provides about 65% of all international financing for TB and for malaria and 21% for AIDS. 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”. The Secretary of State believed that the Global Fund had delivered “extraordinary results over the past ten years”. 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”. 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. 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) 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 S20W). 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. Aidsspan 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.

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”. He said this would happen after, first, the Global Fund had completed its reform process 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, although he did not rule out an earlier announcement. 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. 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”.

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

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

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

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

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