



House of Commons
International Development
Committee

**DFID's contribution to
the Global Fund to
Fight AIDS,
Tuberculosis and
Malaria: Government
Response to the
Committee's First
Report of Session 2012-
13**

**Fourth Special Report of Session
2012–13**

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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.

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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), Dr Anna Dickson (Senior Adviser), 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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Fourth Special Report

On 22 May 2012 the International Development Committee published its First Report of Session 2012-13, *DFID's contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria* (HC 126). On 20 July 2012 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

Government response

The Coalition Government welcomes the opportunity to respond to the IDC report into recent events concerning the Global Fund. The UK Multilateral Aid Review assessed the Fund as critical to the achievement of the health related MDGs. The Government has invested heavily in the Fund and wants it to succeed.

The Global Fund Board took the difficult decision to cancel Round 11 in November 2011. But the Board also took a series of good decisions, such as the adoption of a new Strategy and a Consolidated Transformation Plan to improve significantly the systems, behaviours, performance and ultimately the impact that the Fund has in developing countries. The Government supports this Plan and wants to see it implemented rapidly.

As the Secretary of State has said before, in 2013 the UK will update its assessment of the value for money provided for UK taxpayers from aid channelled through multilateral organisations such as the Global Fund, to assess the changes that have been implemented since the MAR was undertaken in 2010. The Government will be looking for clear evidence of progress in key reform areas so that it can make sound judgements on future funding increases.

There has been some good news since the IDC evidence session, with the Global Fund Board announcing that it will accelerate new funding opportunities. The Government welcomes this news. It will not only give hope to countries that had expected to apply to the Fund for support, but will also allow the Fund's new Strategy and new Business Model to be tested.

IDC Conclusions and Recommendations

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)

Partially agree. The Government shares the Committee's analysis and its concerns. However, by adopting the suite of decisions taken in November 2011, including the introduction of the Transitional Funding Mechanism which will provide funding for the continuation of essential prevention, treatment and/or care services of the three diseases currently financed by the Global Fund, together with ensuring resources are available for renewals of existing grants under the title "Phase II grant renewals", as well as the signature of all Round 10 grants, the Fund was confident that gains would be protected until such time as additional funding would be available for new programmes.

Since the Committee's report was published, the Global Fund's Board has met and received new financial forecasts. This means not only that all Transitional Funding Mechanism (TFM) demands can be met in full, but it also allowed the Board to announce that it would accelerate the implementation of the Global Fund's Strategy. The Fund is now designing its new approach to strategic investments and proposal development, and will launch a new funding opportunity later this year. The Board expects to make funding decisions no later than April 2013, one year ahead of previous expectations. The Government is content with the Board's decision.

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).

Disagree. In its written evidence the Government said 'it is too early to know the extent of the impact of the cancellation of Round 11 overall', and went on to set out a series of concerns should the current temporary funding situation turn into significant longer term shortfalls. This was in no way intended to appear complacent, rather the funding situation was too fluid to make a clear assessment. For example the Global Fund Board in November 2011 believed that there could be no new funding before 2014. But since then, donors have resumed, increased or accelerated their contributions. Therefore, as stated above, the Board has decided to accelerate funding and bring forward its new funding decisions to April 2013, one year earlier than expected. But it is not yet clear what the alternative to the Rounds based approach will look like or what, and how much, it will support.

Another unknown is how big the cancelled Round 11 would have been. Bidding for Round 11 was cancelled because the Board concluded that there were insufficient funds available to pay for it.

In addition, of the countries that were planning to apply for Round 11 funding, we do not know which ones would have been successful and therefore precisely which interventions would have been supported. Only 53% of all proposals were successful under Round 10, with HIV/AIDS proposals representing just a 44% success rate, TB proposals 54%, and

Malaria 79%. At the time the Government submitted its written evidence, we did not know the size of applications to the Transitional Funding Mechanism – now known to be \$616 million - which was expressly designed ‘to provide funding for the continuation of essential prevention, treatment and/or care services of the three diseases currently financed by the Global Fund’ in the absence of Round 11. And we still do not know what the Technical Review Panel will recommend.

These statistics on the pass/fail rate reinforces the Coalition Government’s belief that a new funding model is essential, getting away from an annual challenge fund approach where almost 50% of all proposals fail and towards more predictable and frequent opportunities for financing the most impactful interventions. This is the thrust of the Fund’s new strategy.

Because of the variables noted above, the Government does not believe that a full, independent impact assessment would be either feasible or useful. Instead, the Global Fund Secretariat has been tasked by the Board to develop demand estimates. This was part of the package of decisions taken in Accra in 2011, and reaffirmed in May 2012.

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)

Agree. The Fund needs a world class Executive Director(ED) if it is to secure its place as a world class financing institution. The Government agrees that the General Manager is making difficult but impressive changes that are designed to lead to a much improved, more settled and content organisation; and notes that the General Manager has been appointed for one year only. Thus the appointment of a permanent ED to replace him, and in good time to ensure as long a handover as possible, will be vital. DFID has been actively engaged in establishing a small nominations committee of the Board to help with the identification and selection of a high-calibre replacement based on merit. This small committee has three independent members and has selected a well-known Executive Search firm to assist with the process. The committee has confirmed that it believes the Board should make its final decision if possible by no later than November this year. The Government would expect the Executive Search firm to deploy its top people to ensure a process to source world class candidates.

The Coalition Government expects the Fund to continue the process of structural reform. The Secretariat has undergone a very rapid transformation, and the Fund’s Committees are helping to design a new business model, which will streamline grant processes and reduce the burden on implementing countries. These organisational reforms must also be matched by further governance reform and cultural change at both the Board and Committee level.

The Board will consider further governance reforms over the course of the next 18 months, and as the Secretary of State said in DFID's written evidence to the IDC, in the longer term he expects the Fund to settle back into a more stable and less intense period where, for example, Board Chairmanship is more non-executive than it has been over recent months. The Government will continue to press for and support these necessary reforms.

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)

Disagree. When the Secretary of State spoke at the IDC, he said that DFID was prepared to give a very significant increase in financial support to the Fund. He also did not rule out making a decision on such an increase in advance of 2013. But he also said he would be guided by the evidence of reform. Although the organisation itself has transformed, this has yet to be felt on the ground through improved performance, fewer burdens on countries when applying for funds, fewer delays and quicker disbursements. The earlier the Government makes an announcement, the less evidence there will be, and therefore the more caveats the Government may have to attach to any future increase.

However, the Decision of the Board to accelerate the implementation of the strategy and make funding decisions by April 2013 means that the Fund's own timetable for funding decisions is now more aligned to the UK's. The organisational transformation is well underway, and the design of the new funding models and consequent new funding opportunities will help us all assess whether the organisational changes are leading to changes in how the Fund works in countries. PUSS Stephen O'Brien will shortly undertake a joint visit to Ethiopia with the Fund's General Manager in order to gather evidence about the effect of the changes on the ground. This will give a better platform on which to base funding decisions.

Whilst the Government understands the desire of some that the UK should announce its future increase earlier, the Government does not recognise the charge of a 'continuing delay in providing these [increased] funds'. In practice the Government has consistently brought forward and increased its commitments to the Fund over recent years. In December 2010 the Government brought forward £100 million of its long-term pledge so that all proposals recommended for funding under Round 10 could be approved by the Board. In March 2011 the Government made an additional contribution of £50 million, to help with short term funding challenges. In November 2011 the Government brought forward another tranche from the outer years of its pledge to try to help with current financing challenges and allow all approved Round 10 grants to be signed. During the IDC evidence session the Secretary of State confirmed publicly for the first time that the Government would commit a further £128 million in each of 2012, 2013 and 2014. This alone, even before any increase, will mean that the Government will meet in full, and a year early, its 2007 pledge to contribute up to £1 billion between 2008 and 2015.

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.)

Partially agree. Other donors need to step up to the plate. And the Government agrees that it should announce its additional funding at a time which has the potential to raise the most amount of money from other donors too. But the Government assessment is that the G20 meeting was not the right moment to do so. The G20 itself has been clear that it does not view its meetings as pledging events. Also, there would not have been sufficient evidence by then that the organisational transformation which is underway is having a real impact on the people and Governments whom we try to serve, and therefore the Government was not confident that DFID's conditions would have been met by then.