

5TH Meeting of the Global Fund Board

(Geneva, 5-6 June 2003)

Notes for the Record

1 Summary

1.1 Despite new pledges, the Fund is unlikely to have the resources needed to finance all the proposals to be recommended by the TRP next October. A key theme, therefore, was how to handle priority setting in the third and subsequent rounds. The role of the Procurement and Proposals Management Committee (PMPC), of which WHO is a member, will be crucial in devising a more comprehensive resource allocation policy.

1.2 Other developments included: endorsement of new TRP members; decision on the location of an M&E unit; agreement on fiduciary arrangements; a change in the by-laws, which attempts to clarify the relationship between chair and vice-chair of the board; adoption of CCM guidelines; endorsement of the principal of GF replenishment around a regular funding cycle; and a request to the Swiss authorities to provide privileges and immunities to the GF, equivalent to those granted to international organisations.

1.3 The M&E strategy was referred for further work. Several issues remain to be resolved before it returns to the October Board meeting—not least the apparent disconnect between fiduciary and M&E strategies, and the reporting burden that they will impose on countries in receipt of GF grants.

1.4 Secretary Thompson, chairing the Board for the first time, introduced a new style of doing business. Whilst some found the quasi-parliamentary style of debate somewhat confusing, the net result was more rapid progress through a very full agenda.

Key outcomes

2 Financial situation

2.1 The US has pledged US\$1 billion to the Fund over 5 years. The proportion to be allocated to the Fund is currently \$200 million year. Whilst an increase is possible, it is conditional on the US contribution being matched 2:1 from other sources. There have been positive signs in this direction: France will triple its commitment to give Euro 150 million between 2004-6; the EC has confirmed a minimum contribution of Euro 340 million between 2003-6; Italy has pledged and additional 200 million Euro; and the UK has extended its initial contribution by \$80 million.

2.2 It is equally clear that the Fund is still reliant on traditional donors. The private sector is still a minor player in resource terms, and there has been little progress in attracting other potential contributors either public or private.

2.3 Most immediately there will remain a resource shortfall for the third round. The Secretariat predicts around US\$ 1 billion worth of TRP-approved proposals, with only about US\$ 300 million in the bank. How to handle this situation took up a good apart of Day 1 and was revisited on Day 2.

3 Funding for round three and beyond

3.1 There were several streams to this long and complex debate. The first set of questions concern how much money, and for how long, could the Board commit, given the state of *pledges* to the Fund. Secondly, what is required in terms of *cash in the bank*, before grant agreements can be signed?

3.2 Whilst many argued for a conservative approach, allowing commitments based on pledges received for 2003 only, others argued that at least a proportion of pledges for 2004 should be used to guarantee more generous commitments in 2003. In the end, the decision text refers only to 2003 pledges. However, whilst a more flexible approach is probably desirable, the details should be decided as part of an overall resource allocation policy to be developed with assistance from the World Bank and others and presented to the October Board.

3.3 Hard on the heels of these questions comes the issue of priority setting. The more conservative the approach to making commitments, the tighter the squeeze on fundable proposals. Whilst most people accepted that there was a need to give some proposals priority over others in the face of a shortfall, how this should be done, who should do it, and what would be the fate of those proposals that fell below the threshold were the source of much disagreement.

3.4 In brief: it was agreed that the role of the TRP will remain purely technical. They will, however, probably divide "category two" proposals (those recommended for funding with some changes) into a number of bands based on their merit. In addition, the PMPC will work with the Secretariat to develop recommendations for how priorities based on the need (economic +/- epidemiological) of the applicants can be used in priority setting. What remains unresolved is the extent to which those that are squeezed in round three, form a queue that has equal or higher status than the next crop of proposals in round four. This debate has a long way to run.

3.5 **Key point for WHO:** PMPC has to meet and make its recommendations in July. Its chair and vice chair have changed and its membership has increased (see below). Given planned staff absences, we need to ensure that these meetings are properly covered.

4 TRP Renewal

4.1 The list of new TRP members proposed by the PMPC was adopted. The option of increasing the number of TB members by 1 (in addition to the TB/HIV specialist) was left open, for the decision of the TRP chair.

4.2 The regional imbalance was a cause of some concern to the WPR constituency (they have no representatives). For this and other reasons it was agreed that the selection process would begin again shortly, rather than draw the next batch of candidates from the same pool.

5 Fiduciary Arrangements

5.1 Many delegates raised concerns on the burden of quarterly reporting on countries and urged the MEFA committee to monitor the impact of this requirement on countries and the Secretariat.

5.2 There remains a concern that other kinds of organisations (besides private sector accounting firms) should be able to play the LFA role. There was no substantive discussion of international organisations becoming principal recipients.

6 Monitoring and evaluation

6.1 The strategy paper prepared by the Secretariat, with belated inputs from WHO, was referred for more work. It will be presented at the October Board.

6.2 Key points from the discussion included: a) there is a serious disconnect between the M&E strategy and the proposed fiduciary arrangements; b) WHO is keen to work in partnership with the GF on M&E issues to make sure that there is consistency on indicator choice, validation etc. In the past, collaboration has not been optimal; c) the Fund needs to send a clear message to countries that they are being asked to monitor national programmes not projects, as attributing impact to the Fund is very difficult. The M&E strategy is moving towards this position but it has not been absolutely clear about this yet; d) Several delegates stressed the need to build on existing systems, and some pointed out the importance of monitoring the impact on health systems.

6.3 Most delegates agreed that the M&E function should be based within the GF Secretariat (rather than becoming an independent unit reporting directly to the Board). The secretariat was asked to ensure greater safeguards on independence than those laid out in the current document.

7 By-laws and Board Operating Procedures

7.1 Disagreement on how the chair and vice-chair of the Board should work together to make decisions between meetings has been the source of major friction. To the uninitiated, the two options for a change in text that were debated were different only in nuance– *in close consultation* versus *acting together* - but victory for the latter is seen to put more emphasis on consensus, without creating co-chairs of equal status.

7.2 It was agreed that the chair and vice-chair will be elected for 2 years.

8 Private Sector and Resource Mobilisation

8.1 Rajat Gupta (CEO McKinsey) made a presentation on the potential for fundraising from the corporate sector. The main messages were two fold: if you are going to do it, you have to put the right resources behind the effort, and, secondly, that the GF had to be realistic about the kind of yield that is possible. He reported, for example, that there is very little likelihood of raising significant resources from private corporations at present, as the Global Fund is not sufficiently well known; and business do not tend to give cash donations

on a large scale. For example, Unicef, which has very strong “brand recognition”, raised only \$7m from US corporations in 2002.

8.2 Using the private sector to mobilise individual contributions had major costs. For example “direct mail appeals” incur overheads of up to 30% of the amount raised.

8.3 Inevitably the presentation raised the vexed issue of **in-kind donations**. Whilst some take the view that this is one of the most significant ways to secure private sector involvement in the GF, others are very wary of its impact on the management capacity of the secretariat, on sustainability, and on the potential for conflict of interest (perceived or otherwise). This issue has divided the PMPC and its advisory panel. Nevertheless, a working group made up of delegates from the PMPC and the RMC committee will be set up to develop a strategy for handling donations in kind.

8.4 Board members proposed that the Fund should bring together all the policies relating to resource mobilisation into a single coherent strategy, i.e., in-kind donations, policy on required pledging and reserve levels, fundraising modalities, financial needs forecasting. It was also suggested that staff working within the GF on private sector resource mobilisation should be paid for by a private sector *pro bono* donation.

8.5 The key decision adopted was to establish a regular fundraising mechanism while also pursuing on-going fundraising efforts.

9 CCM guidelines

9.1 At the last Board, the guidelines for CCMs were judged to be too prescriptive. They were heavily influenced by a desire (on the part of the NGO constituencies and some donor governments) to legislate for much greater involvement of civil society and the private sector. Most recipient governments were not keen to be subject to uniform set of rules that failed to take into account national context. The present guidelines were judged to be considerably more pragmatic and thus an improvement.

9.2 We made the point that there is very little in the guidelines on the role of CCMs in implementation, or the relationship between the CCMs and LFAs. One delegate raised the issue of communication between CCM members and the secretariat, asking that all CCM members be copied in such communications. It was also suggested that a “complaints mechanism” be established—whereby individuals on the CCM could have a direct line for their concerns into the secretariat. Both issues were referred back to the governance committee for further discussion.

9.3 The debate on CCMs at the Board is primarily concerned with ideology—particularly the role of the state as convenor and the means by which civil society can gain an effective voice in development decisions. Whilst interesting, this leaves little room for the more practical problems that CCMs are facing in the field.

10 Partnership Forum

10.1 The founding documents of the GF require that there be partnership forum. The idea was borrowed from GAVI and used as a way of gaining consensus on the need for a small and manageable board. The Partnership Forum which is to be held every two years provides an opportunity for all stakeholders (in large numbers) to reaffirm their commitment, comment on policy etc. etc. The Secretariat presented a paper with proposed cost options and locations, requesting the go-ahead to contract a conference organiser.

10.2 Many Board members expressed reservations—mostly on the grounds of cost and utility. However, the Board agreed to mandate the Chair to establish a steering committee for the Forum. Other decision points were deferred. It was agreed that the Steering Committee would look not only at the 3 locations proposed by the Secretariat but also at the issue of linking the Forum to the Bangkok International Conference on AIDS Conference. The US requested a written response from the legal counsel as to whether the Paris donor conference, on July 16, would serve the purpose of the partnership forum. (The French delegation responded that it did not think this was possible.)

11 Paris Conference

11.1 The French Minister for Development Co-operation gave a presentation on the conference for the Fund to be held in Paris on July 16th. Rather than focusing on resource mobilisation, the conference will now provide an opportunity to discuss all aspects of support for the work of the GF. A steering committee, of which WHO has belatedly been asked to be a member, has been established to make inputs on the organisation of the meeting. A draft agenda was circulated.

11.2 A key point at this meeting will be to seek opportunities to emphasise the importance of providing adequate resources for organisations, like WHO, supporting implementation in the field. Without this kind of collateral funding, the efficiency and effectiveness of spending by donors to the Fund itself is likely to be seriously compromised.

12 Partnership Agreements

12.1 Partnership agreements with UNAIDS and ILO were adopted. WHO has not pursued such an agreement, but similar MOUs are in hand to cover the relationship between the GF and RBM and STB

13 Legal status

13.1 The legal status of the Fund has been a cause for concern since Switzerland's bid to host the organisation was accepted. The staff of the Secretariat are hired on WHO contracts and thus have legal protection for acts they perform as part of their work for the GF. This is not true for Board Members, the TRP or the Executive Director when he acts for the Fund (e.g. in signing a grant agreement with a PR). Unlike the staff of the secretariat, all these individuals can be subject to legal action.

13.2 Various options have been explored to remedy this situation, but all have had drawbacks. Continuing the status quo perpetuates the dual authority issue for the Executive Director (acting for the Fund versus acting for WHO). Becoming a full-fledged international organisation is complex and would limit the role of the private sector and NGOs on the Board. No one wants the Fund to become a UN organisation, which leaves the possibility of becoming what is called a quasi-intergovernmental organisation. Up until now this route has been rejected—partly because the Fund’s staff would not enjoy the same privileges that they have now, partly because their legal immunity would be limited, and partly because costs would increase (to compensate staff that would become liable for tax).

13.3 In the few days before the Board the Swiss authorities agreed—if given a clear and unequivocal steer from the Board—to explore a new and unique option. This would be based on quasi-intergovernmental status, so that the Fund would remain a Foundation (and thus could have government and non-government agencies on the board), but with the privileges and immunities of a full international organisation. This option will not, necessarily, require any change to the administrative arrangement with WHO.

13.4 Therefore, the Board requested the Swiss authorities to examine the possibility of granting privileges and immunities to the Global Fund and its different bodies in Switzerland, equivalent to those granted an international organisation, through the conclusion of a headquarters agreement signed with Switzerland.

14 Committees

14.1 The Board agreed the following changes to the Committee structure.

- Portfolio Management and Portfolio Committee: Developed Country NGO; China, Italy, Eastern Europe and Eastern Mediterranean to join. **East and Southern Africa to Chair; Private Sector to Vice Chair**. This increases the size of the committee to 17.
- Governance and Partnership Committee: Private Sector and EC to join; **EC to chair, Communities to Vice Chair**. GPC will look at the structure, size, direction and duplication of the Committees.
- Resource Mobilisation Committee: **West and Central Africa to Chair, France to Vice-Chair**; Latin America and West and Central Africa as new members.
- Monitoring and Evaluation and Finance and Audit Committee: Chair and Vice-Chair to remain unchanged. World Bank to Join the Committee.

It was clarified that non-voting members could be chairs or vice-chairs of committees.