

**FINAL REPORT  
DRAFT**

**Second Meeting of the Transitional Working Group  
to establish a Global Fund to fight AIDS, Tuberculosis, and Malaria  
Brussels, November 22-24 2001**

**DAY 1: THURSDAY NOVEMBER 22, 2001**

**OPENING AND WELCOME**

Opening Remarks by the TWG Chair.

The Agenda was adopted (Tab 2 of binder).

Some delegations wanted more time for discussion of the results of consultation meetings. It was decided that there was insufficient time on the already-packed agenda. It was agreed that a summary of points from the consultations prepared by the TSS would be available during the discussion of each issue.

**BRIEFINGS FROM CONSULTATIONS**

Brief presentations from TSS staff captured the major points taken from each consultation report summary (Tabs 7-12). They concentrated on recommendations for each of the major issues to be discussed by the TWG during the meeting. They were formally presented to the TWG prior to discussion to assure that important points were considered as decisions were taken on each of the substantive issues. The following presentations were made:

- Africa
- Asia-Pacific
- Commonwealth of Independent States
- Latin America and the Caribbean
- NGO Consultation
- Academia
- Areas of Common Concern (attached as Annex 1)

It was agreed that a **private sector consultation** be organized, if possible prior to the next TWG meeting, to complete the series of consultation meetings. It was confirmed that a private sector consultation would be held in conjunction with an upcoming meeting of the World Economic Forum in Geneva.

**WORKING SESSION 1 – GOVERNANCE**

The sub-working group Chair (UK) introduced the Discussion Paper on Governance, followed by a presentation of the Summary Paper on Governance prepared by the TSS. A detailed plenary discussion ensued, with wide participation and comments from all interested TWG members.

A redraft was subsequently initiated through the working group (see Annex 2). A revised version will be submitted to the 3rd TWG for adoption.

No agreement was reached on the following issues:

- The **voting system** for the Board; and

- The **term of service for members of the Board**. These issues should be resolved in time for adoption at the next TWG
- In addition, it was agreed that each constituency (donor, recipient, and civil society) would begin a process of determining their future Board representatives. Any such decisions agreed to will be accepted at the December TWG meeting.

An additional **Working Group was established**, chaired by Sweden, to take forward the process for **identifying the location of the Fund Secretariat**.

## **II. WORKING SESSION 2 – COUNTRY PROCESSES**

The sub-working group Chair (Norway) introduced the Discussion Paper on Country Processes, followed by a presentation of the Summary Paper prepared by the TSS. A plenary discussion ensued, with wide participation and comments from all interested TWG members. The discussion was not completed within the allocated time. Thus, the discussion on country processes continued in the morning of the second day.

### **DAY 2: FRIDAY NOVEMBER 24, 2001**

The discussion on country processes continued.

After the discussion, the sub-working group chair, supported by the TSS, and other members of the group revised the summary paper, discussed it with other members of the TWG, and prepared a second version for final adoption at the December TWG meeting (Annex 3).

A revised version will be submitted to the 3rd TWG for adoption.

## **III. WORKING SESSION 3 on ELIGIBILITY, TECHNICAL REVIEW and ACCOUNTABILITY**

### **I. ELIGIBILITY CRITERIA:**

The Sub-working Group Chair (US) introduced the Discussion Paper on Eligibility, followed by a presentation of the Summary Paper on this issue prepared by the TSS. Discussion in the TWG followed.

Two key issues remained unresolved:

- Should the Fund have a defined list of eligible countries (based on income or HDI or Burden of Disease) or have unrestricted eligibility with no defined list?
- There was no agreement on the appropriate eligibility indicator. Proposed indicators included GNP per capita, the UN Human Development Index (HDI), or an accepted indicator of the poverty situation.

A revised version of the Eligibility Criteria Summary Paper was distributed. See Annex 4. A revised version will be submitted to the 3rd TWG for adoption.

### **II. TECHNICAL REVIEW:**

The Sub-working Group Chair (US) introduced the Discussion Paper on Technical Review, followed by a presentation of the Summary Paper on this issue prepared by the TSS. After the discussion a couple of key unresolved issues remained including:

- Size of technical review panel
- Number of panels: Should there be one global panel plus regional panels or just one global panel?

- Should there be one overall panel with different sub-panels addressing different diseases?
- Panel members: There was no agreement on whether they be nominated and approved by the Board, or proposed by the Secretariat and approved by the Board.

A revised version of the Technical Review Summary Paper was distributed. See Annex 5. A revised version will be submitted to the 3rd TWG for adoption.

### **III. ACCOUNTABILITY**

The Sub-working Group Chair (US) introduced the Discussion Paper on Accountability, which was followed by a presentation of the Summary Paper on this issue prepared by the TSS. After discussion there were no unresolved issues. However, the paper has not been adopted yet and will have a second reading at the 3<sup>rd</sup> TWG meeting.

A redraft was subsequently initiated through the working group. See Annex 6. A revised version will be submitted to the 3rd TWG for adoption.

### **IV. WORKING SESSION 4 on Fiduciary**

The sub-working group Chair (World Bank) introduced the Discussion Paper on Fiduciary, which was followed by a discussion in the TWG.

#### **MAIN POINTS OF DISCUSSION:**

- A decision was made to request the World Bank to be the primary Trustee of the Fund (based on a TWG assessment of the answers to the nine questions outlined below).
- Taking into account the comments made in the plenary, the Fiduciary Sub-group will continue working on next steps, including the delineation of financial accountability responsibilities, as outlined in the Issues Paper.
- In addition, the Fiduciary Sub-group will work with the World Bank to answer a number of questions raised by TWG members, as well as with other relevant sub-groups on the basic structure of the fiduciary framework, particularly as linked to the business model implicit in the decisions taken on country processes.
- Model 2, the World Bank model, of the Issues Paper will be adjusted, consistent with comments by TWG members.

The TWG elaborated specific questions that will be posed initially to the World Bank, in their potential role as Trustee:

1. Would the WB be able to make direct disbursements to NGOs?
2. How would the WB deal with in-kind contributions? Does it have the capacity to do so, and if not, what alternative arrangements could be proposed?
3. What could be specific fiduciary roles for private banks for which proposals could be sought from private banks?
4. What are the WB's requirements re disbursement procedures? In particular, could a country/Government body at the country level approve disbursements to implementing agencies on the basis of an agreed country allocation, without this being referred back to WB HQ?
5. What are WB's reporting requirements – e.g. would invoices have to be sent back to HQ, or could this be addressed another way?
6. Auditing: how much flexibility would the WB have re its procedures, e.g. could the Board decide audit procedures, or would the WB have to?
7. Procurement:
  - a. Could bulk procurement of commodities at the global level be carried out by another agency, with its own procurement rules (e.g. UNICEF)?
  - b. What has the Bank learnt over the last few years re options for procurement?
  - c. What should be done to strengthen procurement capacity at the country level?

- d. How could procurement be speeded up?
- 8. What would be the costs associated with the WB being Trustee?
- 9. What financial management systems would be required at country level, to satisfy due diligence and financial accountability?

The Fiduciary sub-group will report back to the TWG, in time for a final decision on the fiduciary framework and the final selection of Trustee at the December TWG meeting.

**DAY 3: SATURDAY NOVEMBER 24, 2001**

## **V. WORKING SESSION 5 – LEGAL**

The sub-working group Chair (Sweden) introduced the Discussion Paper on Legal Issues, followed by a presentation of the Summary Paper prepared by the TSS. A plenary discussion ensued, with wide participation and comments from all interested TWG members.

### **MAIN POINTS OF DISCUSSION:**

- Two legal models were presented: 1). The Fund as an independent legal entity; and 2). the Fund as an informal alliance using an existing international organisation for its legal status.
- Most, but not all TWG members preferred the informal alliance option.
- Other members would prefer total independence from existing organizations. This was regarded as critical to establish public confidence.
- Both options have to be explored further. This item will be an important element of the TWG meeting in December.

The Legal Working Group led by Sweden will continue to work on this, and interested parties on the TWG were asked to remain engaged in that process. It is hoped that considerable work will be done electronically between now and the next TWG and that final decision will be ready for the December meeting.

## **VI. WORKING SESSION 6 – FINAL SESSION**

### **1. RAPID DISBURSEMENT DURING INITIAL PHASE**

TSS introduced the Working Paper on Rapid Disbursement. A plenary discussion followed.

### **MAIN POINTS OF DISCUSSION:**

- Rapid disbursement would be necessary for political, technical and moral reasons.
- It is important to develop agreement soon on the details of rapid disbursement procedures, while at the same time developing details of longer-term Fund structures and procedures.
- There are many existing un-funded proposals from countries, which are already appraised and approved in principle through existing mechanisms (Stop TB, Roll Back Malaria, and UNAIDS). These proposals could form the basis of “quick start” applications for support from the Global Fund.
- However, countries that are not ready to apply through such a quick start mechanism should not be excluded. Concern was expressed about balancing the rush to disburse quickly vs. taking the necessary time to develop a proper framework for the Fund itself.
- Rapid work would be needed on guidelines and the application process.
- The Fund has to demonstrate that it can rapidly disburse funds through such a quick start mechanism in order to fulfil the high expectations now building around the Fund.
- Any early proposals approved should respect the already agreed upon principles and scope of the Global Fund.

- The future Board could approve the first proposals as early as possible in 2002.

The chair invited Canada to lead a working group to develop further ideas on “quick start” and make recommendations to the TWG report in December.

## 2. FROM TRANSITION TO PERMANENT

The TSS introduced the Discussion Paper on “From Transition to Permanent”. A plenary discussion followed.

### MAIN POINTS OF DISCUSSION:

- The Executive Secretary will be a critical appointment. Speed should not be traded for quality. A broad search should be conducted.
- The Executive Secretary and other Secretariat staff should not be political appointments. Selection should be made on merit through an open and transparent selection process. The time needed to recruit the head of the Secretariat should not delay the process of making the Global Fund operational .
- Most, if not all, members of the final Fund Secretariat should be “core funded”. Secondments should be minimized.
- Some delegates supported the idea that the TSS continue to function until a permanent Secretariat could be recruited, selected and established.
- A question was raised on how to prepare the official launch of the Global Fund. It was decided that this be addressed in a draft communication strategy to be contracted and discussed at the December meeting.

The chair invited the UK to lead a working group on “Transition to Permanent” to explore options, initiate dialogue with other TWG members, and make recommendations to the December TWG meeting.

## 3. OUTCOME BASED DISBURSEMENT

Canada introduced the idea of considering an outcome-based disbursement model, based on experience with GAVI. There was general support for this idea from the TWG and Canada was tasked with leading a sub-working group on Outcome based Disbursement & Monitoring and Evaluation.

There was no further discussion on this matter.

### SUMMARY OF FINAL DECISIONS TAKEN ON CREATION OF NEW WORKING GROUPS and ASSIGNMENT OF TSS TASKS:

**In addition to the already existing sub-working groups, a number of new working groups were initiated:**

- A group was set up to work on “**Outcome Based Disbursement**”. Core Members include Belgium, **Canada (Chair)** CARICOM, Denmark, France, GAVI, GAVI, ICASO, India, Ireland, IUATLD, Mali, Norway, Russia, Uganda, USA, WHO. All members of the TWG have been requested to provide input. Mary Partlow is the TSS Focal Point.

Two groups were set up to look into **Transition to Permanent** arrangements.

1. The first sub-group headed by Sweden will focus on matters related to location of the future secretariat. TWG members can liaise with **Sweden** on this issue. The TWG Chairman did request that all interested countries that wish to host the Secretariat should submit their proposals to the TSS by December 3<sup>rd</sup> 2001. The working group will report to the December TWG meeting. Martin Taylor is the TSS Focal Point.

2. The second sub-group will focus on **Functions and Structure** of the proposed Secretariat. This group is co-convened by the **World Economic Forum, Belgium, and the UK**. This group will also report to the next TWG. Macharia Kamau is the TSS Focal Point.

**Quick Start:** Two groups were set up to delve further into “Quick Start” arrangements.

1. The first group headed by **GAVI and the TSS** will work on “**Guidelines for Developing Proposals**” TWG members, especially developing countries and NGO representatives, are encouraged to work closely with this group. Nemora Tregnago at the TSS is the focal point. TWG members interested in working in this group are requested to send in their views and names to Nemora Tregnago. This group will present its report to the December TWG meeting for adoption.
2. The second “Quick Start” group will work on “**Rapid Disbursement of Funds**”. This group is chaired by Canada. Core members include Brazil, **Canada (Chair)**, China, France, GNP+, ICASO, India, IUATLD, Japan, Mali, Nigeria, Norway, TASO, Thailand, UNAIDS, USA, World Bank and WHO. This group will present its recommendations to the December TWG meeting for adoption. Churnrurtai Kanchanachitra is the TSS Focal Point.

### **TSS TASKS**

The TSS with TWG inputs will undertake follow up work on:

1. **Communication Strategy,**
2. **Resource Mobilization Strategy, and**
3. **Procurement arrangements.**

The TSS pointed out that this work might need to be contracted out.

#### **Private Sector Consultation:**

As recommended by the TWG, the TSS in consultation with the World Economic Forum, will also be organizing a **Private Sector Consultation**. The Consultation will take place in Geneva on 07 December 2001. The TSS Focal Point is Melanie Zipperer.

### **THIRD TWG MEETING**

The third TWG meeting will take place on December 13 and 14 in Brussels. Night sessions will be planned to avoid a three-day meeting.