



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Thirteenth Board Meeting
Geneva, 27-28 April 2006**

GF/B13/2

REPORT OF THE TWELFTH BOARD MEETING

Outline: This document presents the draft Report of the Twelfth Board Meeting and includes all decisions made at that meeting. The Report of the Twelfth Board Meeting is subject to ratification by the Board of the Global Fund at their Thirteenth Board Meeting, 27-28 April 2006 in Geneva, Switzerland.

Accompanying documentation from the Twelfth Board Meeting is available at www.theglobalfund.org or by writing to board@theglobalfund.org.

Decision points are clearly indicated.

Decision Point:

The Board approves the Report of the Twelfth Board Meeting.

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Agenda Item 1: Introduction and Welcome

1. The Chair of the Board, Dr Carol Jacobs, welcomed all Board members to the Twelfth Board meeting, particularly Dr Helene Rossert-Blavier, who had returned to the delegation representing Developed Country NGOs after an absence, as well as Mr Ibrahim Zeekeh, the Global Fund's new Inspector General. Members were also informed that D. Brian Brink, the Alternate Board member representing the Private Sector constituency, would be absent from the meeting due to illness.
2. New members of the Board were asked to introduce themselves. These included the new alternate Board member for the Eastern European delegation, Mr Alexander Konuzin, from the Russian Ministry of Foreign Affairs; the new Board member for the Japanese delegation, Mr Masaru Tsuji, from the Ministry of Foreign Affairs in Japan; and the new focal point for the South and East Asian delegation, Ms Sujatha Rao, from the Ministry of Health and Family Welfare, India.
3. The Board's Vice-Chair, Prof Michel Kazatchkine, spoke briefly, thanking the Moroccan government for hosting the Board meeting, and Dr. Peter Piot, the Director General of UNAIDS, for joining the meeting and attending some of the site visits. He noted the degree to which the Moroccan government had mobilized all levels of Moroccan society to fight both HIV and discrimination against people living with HIV/AIDS. He then spoke about the Global Fund's principle of country ownership and noted that it was not merely good politics or a wise development policy to commit to such a principle but also the right ethical choice.
4. The Chair took the floor again to review the rules of procedure for the meeting and to remind members to consider their commitments as a Board while conducting Board business.

Agenda Item 2: Appointment of the Rapporteur Approval of the Agenda Approval of the Report of the Eleventh Board Meeting

1. The Chair designated Mr. Peter van Rooijen from the constituency representing Developed Country NGOs as rapporteur for the Twelfth Board Meeting.
2. The Chair presented the third revision of the agenda as distributed for approval by the Board.
3. The Chair informed the Board that the Rapporteur had reviewed and approved the Report of the Eleventh Board Meeting as an accurate reflection of the meeting's proceedings. One proposed item of clarification was explained and accepted, and one error was noted for correction. It was asked why statements in the previous Board report had not been attributed, and the Secretariat explained that it had been the practice to attribute only those remarks that required attribution, such as the announcement of a pledge or in the case of a delegate's specific request that an intervention be noted in the report. The Chair confirmed that this practice would continue and that if a delegation wanted an intervention attributed, they must actively request it.

Decision Point: Appointment of Rapporteur

Mr. Peter van Rooijen from the Developed Country NGO Constituency is designated as Rapporteur for the Twelfth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point: Approval of Agenda

The agenda for the Twelfth Board Meeting (GF/B12/1, Rev. 3) is approved.

There are no material budgetary implications for this decision.

Decision Point: Approval of Report of the Eleventh Board Meeting

The report of the Eleventh Board Meeting (GF/B12/2) is approved, as amended at the Twelfth Board Meeting.

There are no material budgetary implications for this decision.

Agenda Item 3: Report of the Executive Director

1. The Chair gave the floor to Prof Richard Feachem, the Executive Director (ED), to present his report¹.

2. The ED noted that 2005 had been a very busy and challenging year and that the Global Fund's simple mantra, "Raise it, spend it, prove it" captured the year's focus. He indicated that he would organize his remarks around this phrase, though in a different order, and would be highlighting a number of areas in addition to those covered by his written report.

3. **Spend it.** The ED talked about the processing of Round 4 with its attendant heavy levels of administration, commending the Operations Department for its hard work. He also reviewed the number of grants signed and disbursement performance across the portfolio. He noted that the averages disguised a wide range of results and that extra attention was being paid to grants that were lagging. The ED also spoke about the second major audit of the Global Fund by the US General Accounting Office, which had produced useful recommendations (distributed to Board members) that the Secretariat had been following up on.

4. The ED announced that a major unanticipated achievement had been the full funding of Round 5 in 2005. He explained that this would allow category 2B proposals to be fully funded in order to get underway in 2005. He emphasized that the full funding of Round 5 enabled the focus for 2006 to be firmly fixed on Round 6 without any overhang from the previous round. The ED thanked donors that had come forward at the last minute with additional pledges to make this possible.

5. **Prove it.** The ED reviewed the status of the Phase 2 funding process, reporting that 108 requests for continued funding had been processed to date and that the Secretariat had taken note of lessons learned and made adjustments based on this experience. He reminded the Board that the Global Fund's credibility rested on its execution of performance-based funding of which Phase 2 was the point of proof.

¹ Available at www.theglobalfund.org/en/about/board/twelfth/boardmeetingdocs/default.asp

6. He said that while important changes had been made to a number of operational processes, further changes would be made in the areas of accelerating implementation and improving harmonization and alignment in the coming year. He referred to the sections of his report touching on the work done to date on the Early Alert and Response System (EARS), collaboration in UNAIDS' Global Task Team (GTT) and the Paris declaration, and extensive work on Country Coordinating Mechanisms (CCMs) to improve CCM performance. He observed that progress in areas requiring the collaboration of partners had been slow and that accelerating this work was a priority for 2006. He noted the strong link between this and the work of the Policy and Strategy Committee (PSC), as referred to in his report.

7. **Raise it.** The ED reported the most up-to-date figures related to resource mobilization: 2005 had started with assets of US\$ 5.9 billion and ended with a total of US\$ 8.5 billion, an increase of 44 percent over 12 months in the total asset base of the Global Fund. He spoke about the replenishment conferences and the resulting US\$ 3.8 billion pledged for 2006-2007 out of a total projected need of US\$ 7.1 billion. He noted that the funding gap for 2006 at US\$ 1.1 billion was exactly the projected size of Round 6, which remained entirely unfunded.

8. The ED talked about commitments made at the G8 Summit in Gleneagles, including the commitment to universal access – providing AIDS treatment to those who need it – by 2010, and emphasized that the link was not being adequately made between a fully funded Round 6 and the goal of universal access. He observed that even with a Round 6 in 2006, the goal was a stretch and a huge global challenge, and that without a Round 6 in 2006, the goal was completely unachievable. He welcomed UNAIDS' launch of the Universal Access Steering Committee and reviewed potential sources of increased funding for 2006, including existing donors and new donors from the south, oil-rich states and the growing economies of East Asia. He touched on the International Finance Facility (IFF), the airline levy with the support of France and other countries, debt swaps for Phase 2 renewals and private sector initiatives led by the Global Business Coalition and others, including a significant new private-sector initiative to be launched in early 2006.

9. The ED briefly reviewed progress within the Secretariat and said that bringing it from good to excellent had been one of three corporate priorities for 2005 by building management systems and processes; improving staff morale and culture; and ensuring the Secretariat's maturity from start-up organization to effective and sustainable machinery to deliver the performance expected of the Global Fund. He said the Secretariat had made progress in these areas during the year and that he and the Deputy Director were fully committed to completing the implementation of planned changes and improvements in 2006. He closed by thanking the Chair and Vice-Chair of the Board for their strong support, partnership and close working relations with the Secretariat.

10. Delegates requested more of a balance between task and vision-oriented reporting and a greater emphasis on the Global Fund's position within the "global village" in future reports from the ED, as discussed in the Board retreat the previous day. Related to this, some delegates expressed support for the corporate priorities but asked for more information on working with partners, as this had been expressed as an important piece of work in the coming year but had not been explicitly referenced in the priorities. Several delegates observed that while the Global Fund had an important role in financing universal access; it was only one of a number of significant players.

11. Delegates expressed support for the mobilization of new resources for the Global Fund in 2006 and welcomed increased engagement with the private sector. They also spoke about the need for a clear resource mobilization strategy, and emphasized that the medium-term strategy under development for the Global Fund would help to ensure adequate financing in the future. One delegate asked about initiatives to popularize the objectives of the Global Fund with the general public, particularly in donor countries, while another urged Board members to

support both the increase in contributions by existing donors and new and innovative financing initiatives. A third observed that if the expectation was to increase funding from southern countries, further thought should go to the eligibility criteria which excluded some of these countries from applying for Global Fund grants.

12. Concern was expressed that the focus on CCMs in the ED's report suggested that they were institutions in their own right, rather than coordinating bodies derived from existing bodies. Delegates welcomed the update on work supporting the Global Joint Problem-Solving and Implementation Support Team (GIST) but wondered whether the Global Fund was advocating for and supporting similar initiatives for TB and malaria.

13. Delegates queried the statement that on balance, grants implemented by nongovernmental organizations were performing better than those implemented by the public sector, suggesting that greater analysis was required, as often the more complex components of programs were executed by governmental implementers.

14. A delegate stated that while important progress was being made in implementing the recommendations of the GTT, the Global Fund was still working in ways that did not always support the "Three Ones". On a related note, another delegate talked about the overwhelming requirements of the Global Fund in terms of the quantity of procedures and processes, particularly as experienced by smaller countries where human resources were scarce, and asked that more procedures be simplified and harmonized with the requirements of other donors.

15. Improvements in the efficiency of the Secretariat were welcomed by a number of delegates, particularly in the reduction of time taken to sign grants and disburse funds.

16. Delegates asked for more information in a number of areas, including the Global Electronic Marketplace (GEM) and other procurement initiatives; the status of the recruitment of a new Chief of Operations; and the role of the Policy and Strategy Committee (PSC) in the work to increase alignment and harmonization with partners and in-country programs.

17. Other areas of discussion included the challenges that remain in the Phase 2 process; the leadership role the Global Fund should play in harmonization and coordination with partners and the need for more visible technical assistance from partners; the importance of a strong Operations Department; the airline levy; and strengthening the Technical Review Panel by broadening its membership.

18. The delegate representing UNAIDS repeated an offer made at an earlier conference regarding the use of UNAIDS offices by Global Fund staff who were traveling in recipient countries.

19. In his response to Board members, the ED noted that much of the follow-up to delegates' interventions would occur both within subsequent Board meeting sessions and on a one-to-one basis between him and various delegates over the coming days. In his abbreviated response to delegates' comments, he stated that the Global Fund was working with its partners to explore ways in which the principles of the "Three Ones" and the efforts of the Global Fund could be applied to ongoing work on TB and malaria, though he noted that the Global Fund was not taking a lead role in these developments. He agreed that the Global Fund was only one house in the global village and spoke about working together to make the village more harmonious. In terms of GEM, he noted that this had been an initiative incubated by the Global Fund early in 2005 in close discussion with a variety of partners with the intention of handing it over because it was not appropriate for the Global Fund to lead or host the project. He said the concept and business plan had been developed with partners and that UNDP's Inter-Agency Procurement Services Office (IAPSO) had now taken up the project and was moving ahead with the input of partners, including the Global Fund.

20. The ED discussed the issue of raising broad public awareness of the Global Fund and mentioned campaigns that had occurred to date in France, Germany, Italy, the UK and the US. He also referred to the anticipated impact of proposed private sector initiatives on public awareness of the Global Fund. Regarding the recruitment of a new Chief of Operations, he told the Board that an international headhunter, Heidrick & Struggles, (which had recruited the Global Fund's Inspector General) was engaged in the search, and he referred to his previous letter asking Board members to use their networks and forward the names of potential candidates to the recruitment agency for incorporation into the search.

21. He acknowledged comments on a number of other issues, including the airline levy and other innovative financing mechanisms; the issue of round-based funding in a context requiring sustained, predictable funding; input to TRP composition and processes, which he noted was a Board responsibility, as the TRP did not report to the Secretariat; the need for further analysis of the results of civil society and government as Principal Recipients (PRs); and the importance of examining Global Fund processes and procedures in countries where it appeared that the Global Fund's procedures were additional to those required by other donors. He paid special tribute to the NGO contributions from Japan, which had come on top of a significant government contribution.

Agenda Item 4: Operations Update

1. The Chair gave the floor to Ms Hind Khatib-Othman, Acting Deputy Chief of Operations (Deputy COO) in the absence of Ms Helen Evans, to present the Operations Report². The Acting Deputy COO indicated that the report had been prepared by Mr Brad Herbert before the end of his tenure as Chief of Operations. She reviewed portfolio progress, disbursement performance, the current status of Phase 2 grants, overall portfolio results for the year across the top three key indicators and the status of approved Round 5 grants, including the streamlined assessment process for repeat PRs. She gave an update on the phase-out plan for Myanmar and the lifting of the suspension of grants in Uganda. She concluded with information on four successful Round 5 appeals (from Equatorial Guinea, Sudan (HIV/AIDS and TB) and Philippines), an update on EARS and GIST, as well as the work underway for increasing harmonization with partners.

2. A number of delegates expressed satisfaction with the results of Global Fund grants in recipient countries, particularly the number of people receiving treatment, and noted that the full funding of Round 5 would ensure the continuation of such results. One delegate wondered whether all those on treatment were receiving support to help them adhere to treatment.

3. Concerns were raised that the current business model made it difficult for civil society and affected communities to participate fully but that this had not been reflected in the Operations Report. In particular, it was noted that the proportion of grants to people covered needed to be examined, and the indicators in proposals that were accepted by the TRP needed to be closely examined.

4. Concerns were also raised about how language diversity affects the equitable treatment of recipient countries; the need to simplify some Global Fund procedures in recipient countries; the capacity of the Operations Department; the progress of EARS; the politicization of some elements of Global Fund processes; and the fact that less work on harmonization appeared to be underway for TB and malaria than for HIV/AIDS.

² Available at www.theglobalfund.org/en/about/board/twelfth/boardmeetingdocs/default.asp

5. Requests were made that the appropriate Board members, partners and CCMs be informed before countries were placed on the EARS list; that in the future the regionally divided graphs used in the report match the Board's regional divisions for ease of interpretation; that the high-level portfolio results include indicators for care and support; that a review of the business model and architecture of the Global Fund be conducted with a view to the full participation of civil society and affected communities; that the Global Fund begin to develop a cost-benefit analysis of the interventions funded by its grants; and that more information be provided on how the Global Fund could play a greater role in contributing to harmonization in recipient countries.

6. In her response to the various interventions, the Acting Deputy COO stated that all Global Fund guidelines and policies were translated into the six UN languages and that the Global Fund had increased its translation budget every year in order to increase the availability of its documentation in languages other than English. Regarding the business model, she noted that within the current business model, there was important work to be done in enhancing the role of NGOs and affected communities through CCMs. In terms of EARS, she said that it had been launched quickly following the direction of the Board and that the Secretariat was working to staff the unit. She acknowledged that in one case, a country going on the EARS list had received short notice due to inadequate coordination and said that the Secretariat would ensure that in the future the Global Fund communicated with the country well before other steps were taken. She announced that in early 2006 a delegation from the Secretariat would meet in Washington D.C. with representatives of PEPFAR, UNAIDS, the World Bank and others as a first step to improve coordination by informing partners about issues and providing timely technical assistance.

7. The Secretariat's Director of Strategic Information and Evaluation, Mr Bernhard Schwartländer, clarified that many programs include support for adherence but that information on this level of detail was not available across grants. He stated that the Global Fund was working with UNAIDS, WHO and PEPFAR to create relevant indicators that could be included in grant monitoring processes. He also explained that while only the three highest-level indicators had been presented in the report, more would be included in the next Progress Report and in future reports to the Board. Regarding a cost-benefit analysis of grant-funded interventions, he told the Board that a true cost-benefit analysis was not possible due to the limited information available from programs but that a high-level analysis had been started and results would be reported to the Board and its committees.

Agenda Item 5: Report of the Policy and Strategy Committee

1. Mr. Jairo Pedraza, Vice-Chair of the PSC, presented the PSC update³, which comprised a report on the Committee's situation assessment and option development for the strategy development process; continuity of services for grants that were ending; a report on the work of the Technical Evaluation Reference Group (TERG) and a report on the work of the Partnership Forum Steering Group.

Strategy Development

2. The PSC Vice-Chair explained that since the last Board meeting, the PSC had reviewed the situation assessment and analysis of strategic themes conducted by the Secretariat and endorsed a framework of strategic themes and questions. He presented the Committee's recommended guidelines for the next phase of the process – option development – to provide high-level guidance across all issue areas. He also informed Board members that with their endorsement, the PSC would begin to develop a recommended set of options, to be approved by the Board at their Thirteenth Board Meeting, and finally the strategy document itself, to be completed by September 2006.

³ Available at: http://www.theglobalfund.org/en/files/boardmeeting12_protected/GFB-12-05-PSC_Report.pdf

3. Delegates expressed support for the option development process and called for a bold vision in developing strategic options that would move the Global Fund into a more mature level of operation. Clarification was requested as to whether options would be developed for each of the twenty-five overarching questions discussed at the Board retreat, or whether it would be a more streamlined process.

4. The Senior Advisor to the Executive Director, Ms. Christina Schrade, explained that due to the short timeframe before the April Board meeting, the PSC would tackle several topics at a time and would develop options for all but a few of the questions in time for the Thirteenth Board meeting through an iterative process. The Vice-Chair of the PSC reminded the Board that the Partnership Forum would also have an important role to play in gathering input for the option development process.

5. Concern was expressed by delegates that the decision point did not reflect input given during the Board retreat, and that procedural work towards options for strategy development would be a slow process that would not tackle the substance of policy issues within the given timeframe. Delegates also asked for clarification as to whether the Secretariat or the PSC would do the work of option development.

6. The Board Vice-Chair and the PSC Vice-Chair explained that input given during the Board retreat would be taken into consideration and that the purpose of the decision point in front of the Board was to move the Committee and Board as quickly as possible toward concrete options, to be developed by the Secretariat.

Continuity of Services

7. The PSC Vice-Chair presented the issue of continuity of services for the approximately 4,000 recipients of antiretroviral therapy currently at risk of discontinuation of treatment as grants approached their end date with no subsequent Global Fund financing in place. He stressed that the number of people in question could increase rapidly in coming years and that a comprehensive strategy was needed for the short, medium and long term. The decision point presented to the Board was an interim solution, expiring in 2007, by which time policy development would be complete.

8. A delegate advocated the establishment of bridge funding to guarantee continuity in cases where requests for continued funding might take months to be processed. The delegate also questioned the appropriateness of language in the decision point requiring recipients to prove that all other avenues for funding sources had been explored.

9. Delegates agreed on the importance of continuity of services as it raised the critically important issue of whether the Global Fund should be seen as a long-term financier for efforts to fight the three diseases or a gap-filler until countries could fund these interventions by other means.

Technical Evaluation and Reference Group (TERG) Update

10. Professor Rolf Korte, Chair of the TERG, presented the TERG update on preparations for the five-year evaluation of the Global Fund and the CCM assessment.

11. The TERG Chair outlined the TERG's recommendation, that for early learning, a phased incremental approach toward evaluation should be used rather than a one-off evaluation. This approach would afford early opportunities to inform operational decisions of the Secretariat. In the first phase in 2006, the TERG would look at operational and grant performance issues; in the second phase, when the five-year implementation of grants had been completed, systems effects and the impact of grants would be assessed.

12. The TERG Chair advised the Board that an international tender for an inception report had been issued and that TERG members and an advisory panel had ranked the proposals. He noted that negotiations were in process to contract for the evaluation. He indicated that the TERG would review the draft inception report in February and present it to the PSC for review and ultimately for decision by the Board at its thirteenth meeting.

13. The TERG Chair then presented an overview of the CCM assessment, summarizing its results and conclusions, and noting that the baseline assessment showed serious gaps but that many CCMs had begun to use the CCM checklist tool to identify and address problems. The TERG advised the Secretariat to incorporate self-assessment into routine grant management processes and to develop tools and methods for sample audits and systematic civil society involvement.

14. In response to questions, the TERG Chair confirmed the timeline for the Global Fund five-year evaluation process: in-depth studies would begin immediately after approval of the budget and contents of the inception report at the next Board meeting. The TERG would provide its first results by the end of 2006 or early 2007.

15. The Director of Strategic Information and Evaluation (SIE) answered on incorporating the results of the CCM assessment into the work of the Secretariat, explaining that as recommended by the TERG, the CCM assessment tool would be included with regular grant management tools. He added that Phase 2 processes already evaluated criteria of the CCM requirements and that to date the Global Fund had not had a case where a CCM did not fulfill these criteria, which would lead to a rejected request for continued funding.

Partnership Forum

16. PSC member Mr Todd Summers presented the work of the Partnership Forum Steering Committee on behalf of Steering Committee Chair, Mr Brian Brink. He gave an overview of the Partnership Forum, including the theme ("Overcoming challenges and celebrating success"), the venue (Durban, South Africa) and provisional dates (July 2-3). He explained that the 2006 Partnership Forum would emphasize several aims, including resource mobilization, input on the Global Fund strategy and providing a forum for individuals that did not normally have a voice on the Board.

17. He reported that the Steering Committee intended to begin discussions with the government of South Africa as the host government and to establish a host committee; that the online eForum component of the Partnership Forum would be launched in January 2006; and that next steps included drafting a provisional agenda, engaging a lead facilitator and developing the invitation list.

18. Delegates expressed the hope that the Partnership Forum Steering Committee would come up with suggestions for making the processes of the Partnership Forum more efficient, such as making greater use of prior discussion within regional groups. Delegates also asked how feedback generated by the Forum would supply the work of the Board and its committees.

19. The Steering Committee member reminded the Board that the Partnership Forum of 2004 had yielded a full report containing recommendations from participants, which had been provided to the Board and had influenced numerous decisions and actions, such as the CCM evaluation.

Decision Point: Update on Strategy Development

The Board acknowledges the progress made on developing the situation assessments and affirms the prioritization of issues and the principles to guide option development outlined in The Report of the Policy and Strategy Committee (GF/B12/5). It requests that the work proceed to the stage of option development and that the PSC report on progress at the Thirteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point: Continuity of Services

The Board recognizes that in exceptional circumstances there may be a need to provide funding for the continuation of treatment in grants where funding ends (whether due to termination, a decision not to provide Phase 2 funding, or a grant reaching the end of its term). The Board recognizes that discussions on whether and how to provide continued funding for treatment will be part of the strategy process. To address exceptional cases that may arise before a comprehensive approach to the issue has been decided; however, the Board replaces the decision at the Ninth Board Meeting on continuity of services (GF/B10/2, Decision Points: Continuity of Services, Decision Point 1) with the following:

The Board adopts the following system for addressing continuity of services:

- i. A recipient (typically a CCM, or, if appropriate, in the case of a non-CCM proposal, the grant applicant) whose funding has ended, has been terminated or is less than four months from the end of its term may submit an Extraordinary Request for Continued Funding for Treatment.
- ii. The Extraordinary Request will be limited to expenses directly related to the continuation of treatment (including medicines [which, in the case of discontinuation of antiretroviral therapy, includes drugs for HIV-related opportunistic infections], diagnostics, and, as appropriate, costs for medical staff and other personnel directly involved in care of the patients on treatment) for those people already placed on lifelong treatment under the existing proposal at the time of the Extraordinary Request.
- iii. The Extraordinary Request will be limited to the amount required to provide services directly related to the continuation of treatment for up to two years (taking into account any amount which remains available under the existing grant).
- iv. The Extraordinary Request shall contain a description of the steps that are being taken to find sustainable sources of financing for the people on treatment, and to ensure that treatment is being delivered effectively. To be eligible for funding under this provision the CCM (or, in the case of non-CCM proposals, the grant applicant) shall demonstrate that it has used its best efforts to identify other sources of funding to provide continuity of services but has been unsuccessful.
- v. The Secretariat will review the Extraordinary Request, and provide a funding recommendation to the Board for its approval. The Secretariat will address performance issues as appropriate, and shall make any adjustments to existing implementation arrangements necessary to ensure the effective use of grant funds.
- vi. Throughout the process, the Secretariat will actively engage with technical partners to identify mechanisms to ensure continuity of services.

vii. In a resource-constrained environment, Extraordinary Requests for Continued Funding for Treatment shall be treated the same as Phase 2 renewals for the purpose of the decision on prioritization set out in GF/B9/2 page 9, Decision Point 2.

This decision shall expire at the first Board meeting of 2007 unless renewed.

There are no material budgetary implications for this decision.

Agenda Item 6: Resource Forecast for 2006 Round 5 Funding

1. Starting the report on the resource forecast, the Chair referred to the ED's earlier announcement of recent pledges that had helped to ensure the full funding of Round 5. The delegate representing the Point Seven constituency announced that Luxembourg had recently joined and that additional last-minute pledges from Ireland, Luxembourg, Norway and Sweden totaling more than US\$ 12 million had been made in response to the Secretariat's appeal. The delegate representing Australia announced that the country was frontloading a contribution of US\$ 1.5 million, and the delegate representing the UK also announced the frontloading of US\$ 65.5 million in the interests of fully funding Round 5.

2. The Chief Financial Officer (CFO), Mr Barry Greene, presented an updated forecast for 2006 showing a surplus of US\$ 18 million in 2005 to be carried forward to 2006 as a result of the latest pledges. He indicated that a further US\$ 5 million should be added based on announcements that morning. As a result, US\$ 1.8 billion was available for 2006 and US\$ 33 million was still needed for Round 5 appeals.

3. The Chair read the decision point concerning the approval of all remaining eligible proposals for funding in Round 5 comprising the remainder of category 2A and all of category 2B and opened the floor for discussion.

4. In response to questions about the approximate cost of continuity of treatment for programs funded by grants whose lifespan would come to an end in 2006, the Director of SIE responded that there were eight such grants, covering 4,000 people. Four grants were already covered through the signing of more recent, additional grants that would fund continuity of treatment. The cost of covering treatment for two years for the remaining treatment programs would be approximately US\$ 8 million. A number of delegates expressed concern that new rounds would be funded before the continuation of treatment for existing programs and asked that continuity of treatment services be something the Board discussed further. It was acknowledged that the amount in question for 2006 was relatively small and likely to be covered by pledges for 2006 but that the principle was important as the amount would increase every year.

5. The CFO confirmed that the line indicating no material budgetary implications in the decision point referred to additional resulting expenditures by the Secretariat outside the amount named in the decision point. He clarified that the amount to be approved did not include any Round 5 appeals and that if those appeals were approved later in the Board meeting, there would be a deficit of approximately US\$ 30 million. He also reviewed the hierarchy of funding based on the Comprehensive Funding Policy (CFP), which would mean that any Round 5 grants not approved in 2005 would go to the end of the funding queue in 2006 as renewals would take precedence from the start of the year. He confirmed that on the issue of funding for continuity of treatment, the CFP provided no guidance.

6. Given that a decision point concerning continuity of treatment would be presented later in the meeting, it was agreed to postpone the Round 5 funding decision until after that discussion and decision.

7. When the Board returned to the Round 5 decision point, a decision concerning continuity of services had been made which included prioritizing the cost of continuing treatment alongside Phase 2 renewals and before the funding of new rounds. The CFO provided the Board with an updated cost of continuing treatment for 2006-2007 of US\$ 33 million, which was based not only on continuing treatment when grants came to the end of their lifespans but also on an estimate of costs for continuing treatment necessitated by potential "No Go" decisions which could arise as a consequence of Phase 2.

Decision Point: Round 5 Funding

The Board approves for funding, subject to paragraph 2, below, all remaining Round 5 proposals recommended as eligible for funding by the Technical Review Panel ("TRP") listed in Annex VI to the Report of the TRP and the Secretariat on Round 5 Proposals (GF/B11/6) that could not be approved for funding at the Eleventh Board meeting due to resource constraints.

The Board's approval is for the amount indicated as 'Total 2 Years' in such Annex, and is made with the clear understanding that such amounts are upper ceilings rather than final Phase 1 Grant amounts. The aggregate amount of funding for the proposals approved by this decision shall not exceed US\$ 343,539,127.

The Board notes that the Secretariat has previously notified the applicants of the clarifications and adjustments requested by the TRP. These adjustments and clarifications shall be completed within four months from the receipt of the initial reply from the applicant. The Board's approval is conditional on the final approval of the TRP Chair and/or Vice-Chair, based on consultations with the TRP primary and secondary reviewers.

There are no material budgetary implications for this decision.

Agenda Item 7: Secretariat Budget 2006

1. The Chair of the Finance and Audit Committee (FAC), Dr Lieve Fransen of the European Commission, introduced the budget for 2006⁴. She mentioned some of the unknowns identified in the FAC discussions of the budget, including the potential impact of the strategy development and the transition of administrative services, and noted the need to maintain sufficient flexibility with regard to such variables while adequately resourcing the work of the Secretariat.

2. In their earlier discussions, the FAC had identified a few areas of particular importance in the budget based on Board directives, including greater grant management capacity, a focus on Human Resources, and organizational development and its consolidation through performance management and more efficient systems and processes.

3. The Chair described the FAC's process leading to the preparation of the budget, noting that each member had tried to consult as much as possible with other Board members and had reviewed additional information received from the Secretariat. This had resulted in a late proposal for the Board but a strong consensus between the Secretariat and FAC members. FAC had concluded that it would review actual costs after the first half of 2006 and make further recommendations if necessary.

⁴ Budget details can be found in the FAC report, available at: http://www.theglobalfund.org/en/files/boardmeeting12_protected/GFB-12-07-FAC_Report.pdf

4. The Secretariat's CFO presented the proposed budget for 2006. He noted that the proposed increase for 2006 was largely for grant activities, that the budget reflected an increase in staffing, of which 72 percent was allocated to grant management and monitoring and evaluation, and that operating expenses as a proportion of the value of active grants had declined from 1.4 percent in 2005 to 1.2 percent in 2006.

5. Areas of subsequent discussion and questions on the budget included how the Global Fund compared to the World Bank and other institutions in the cost of managing its grants; questions about specific line item increases and decreases; the Secretariat's transition out of the Administrative Services Agreement with WHO and the inclusion of the transition as a performance criterion for the Secretariat; increased demands on the Secretariat such as Phase 2 processes and the introduction of EARS; short-term versus fixed-term staff; the question of staff reallocation; cost versus outcome assessment; zero-based budgeting; outsourcing and the use of consultants; Board input to the budget process; LFA costs; and the Global Fund's commitment to the Greater Involvement of People Living with HIV/AIDS principle.

6. The delegate representing the Point Seven constituency asked that the record reflect that in a very difficult situation it had been possible for the FAC and the Secretariat to reach full consensus.

7. The delegate representing the Communities constituency asked that the record reflect its concern about scaling back in-country support and its request for clarity on the implications.

8. In response to questions, the ED reported that between January 2003 and August 2005 the Secretariat had processed 1,750 contracts with a professional staff of three to four people and that there was a need to strengthen the contracting team within Business Services; and that in the same period 150 recruitments had been made by a Human Resources staff that started with one and rose to three professional staff. He invited comparison with Board members' home institutions and stated that the Secretariat believed that the increase in Business Services staff was modest but necessary.

9. The ED further noted, with regard to short-term and fixed term staff, that he wanted to ensure that Global Fund policies and procedures went beyond WHO procedures in their transparency and competitiveness. He described the criteria and the international, competitive process for fixed-term recruitments at the Global Fund and explained that short-term positions were used where either there was no clearly established long-term need for that function or where budgetary provision for the post did not exist. He also noted that having the correct balance between short-term and fixed-term staff was important for maintaining an appropriate degree of institutional flexibility.

10. Responding to questions, the CFO explained that no direct comparison with the World Bank was available, given the different nature of its business, but that an independent survey conducted in 2004 looking at funds disbursed per employee showed US\$ 1.95 million per staff member for the World Bank, and US\$ 14 million per staff member for the Global Fund. Summarizing the adjustments that had led to the scaling back of several line items, the CFO said they included assumptions about LFA-related savings of US\$ 4 million and later start dates of new hires; reductions in the estimates of the volume of EARS interventions; and further savings of US\$ 2.5 million in a number of other areas, including Partnership Forum and Board meeting costs, totaling US\$ 9.2 million. He also spoke about some of the increases in External Relations and Business Services.

11. The CFO drew attention to a table in the budget indicating that 13 percent of total expenditure for 2006 was for professional services, which referred to the outsourcing of work to consultants. Regarding LFA fees, he reported that two years previously the Secretariat had conducted an international tender for LFAs and that since then a better value group within the Secretariat had monitored and reviewed LFAs on an ongoing basis. He said that services from LFAs could be improved but that the Secretariat did not see the current model changing in the short term.

12. The Director of External Relations, Dr Christoph Benn, said that regarding support for civil society, the Secretariat had proposed to take over a position currently paid for by a private foundation.

13. The Chair of the FAC observed that it was necessary to find the right ratio for the Global Fund model, which had a role that differed from those of the World Bank, the EC or other Board members' institutions. She acknowledged that the FAC had decreased the budget on EARS-related matters that the Board found essential. She also reminded members that the Board had originally decided to include the transition from the administrative services agreement in the performance criteria and yet the Board had yet to decide exactly what it would do in this regard. She therefore suggested that in future it should not necessarily be included as a performance indicator.

14. In response to a specific question about open competition in employment, the ED explained that if there were an incumbent in a short-term position, that person was free to apply for the fixed-term position in a competitive process, and said that of 121 short-term recruitments made between August 2003 and August 2005, 18 staff members had successfully applied for the fixed-term version of the same job. He acknowledged that short-term recruitment could be perceived as a back door into a fixed-term post which was why the Secretariat was engaging in competitive and transparent recruitment processes even for short-term positions.

Decision Point: Secretariat Budget 2006

The Board approves the 2006 operating expense budget in the amount of US\$ 83,200,000 as set out in Annex 1 to the Report of the Finance and Audit Committee (GF/B12/7) and as recommended by the Finance and Audit Committee (FAC) and proposed by the Secretariat.

The Board notes that the budget includes envisaged cost savings and requests FAC to review actual expenditure and budgetary needs after the first half of 2006 and, if necessary, make further recommendations to the Board at that time.

Agenda Item 8: Executive Session

1. The Board spent a large proportion of the time allocated for the Thirteenth Board meeting in Executive Session discussing issues related to the Report of WHO's Office of Internal Oversight Services (IOS) as well the contract of the Executive Director.

2. The Chair of the Board then reported back to Board members, noting that consensus had been reached on various decision points which were then presented to the Board in open session for decision.

3. The Chair then read aloud both the decision point and the communiqué which had been drafted for public distribution concerning the report of the WHO Office of Internal Oversight Services. The Executive Director thanked the Board for its support and stated that he took full responsibility for any problems identified in the report. He committed himself and his senior management team to ensuring that the measures set out in the Board-approved management response would be fully implemented by the Thirteenth Board meeting.

Decision Points: Report of the Committee on the Executive Director

Decision Point 1:

The Board requests the Chair to launch a process to produce a performance assessment of the Executive Director (ED) in time for the Thirteenth Board Meeting.

Decision Point 2:

The Board decides to establish a Committee, composed of the Chairs and Vice-Chairs of the Policy and Strategy Committee (PSC), Finance and Audit Committee (FAC), Portfolio Committee (PC) and Ethics Committee (EC), to prepare recommendations for the Thirteenth Board Meeting, which will include updated Terms of Reference for the position of Executive Director.

Decision Point 3:

The Board decides to amend its bylaws and Board Operating Procedures for the appointment of the Executive Director to be in line with the text appearing below. The Board requests the Chair to work with WHO and the Global Fund's Legal Counsel and outside Swiss counsel to produce draft amendments for adoption at the Thirteenth Board Meeting.

APPOINTMENT OF THE EXECUTIVE DIRECTOR

I. Term and Term Limits:

The Board decides to amend Article 8.1 of its bylaws. The Board selects the Executive Director for a period of four (4) years, renewable for a period of three (3) years. The Board will make this selection on a merit-based, non-political and open basis.

II. Options for Board Decision

At least six months before the end of the incumbent Executive Director's first term, the Board makes one of three decisions:

1. Launch a recruitment procedure, and encourage the Executive Director to let his/her name stand for the post;
2. Reappoint the Executive Director, subject to performance appraisal; or
3. Launch a recruitment procedure, and do not encourage the Executive Director to let her/his name stand for the post.

The norm is Option One. In that case, the Board will make public that it has invited the incumbent Executive Director to re-apply for the post.

III. Recruitment/Reappointment procedure

The Board decides to modify its Board Operating Procedures to include a recruitment procedure and a reappointment procedure, as decided in Paragraph 2 above.

3.1 Recruitment procedure

- a. At least six months before the end of the term of an incumbent Executive Director, or any other time decided by the Board, the recruitment process will be followed as below. The Board at that time approves updated Terms of Reference, including selection criteria, for the position of Executive Director.
- b. The Board Chair nominates, and the Board approves, a selection committee.
- c. The Board launches the recruitment process.
- d. The selection committee interviews candidates, and presents the best-ranking candidates to the Board for decision.

3.2. Reappointment procedure

On the basis of the performance assessments, the Board could decide to reappoint an Executive Director for one additional term of three (3) years, under the conditions in Paragraph I above.

Under this system, the annual performance assessment of the Executive Director would, of course, continue, in line with normal best practice. All material for the evaluation will be provided to the Board in the first quarter of the calendar year.

Decision Point: Report of the Office of Internal Oversight Services

The Board recognizes the commitment of the Global Fund management to implement the recommendations and the findings of the WHO Office of Internal Oversight Services (IOS) report.

The Board acknowledges its own responsibility to oversee appropriate follow-up measures and ensure that systems and processes for personal and institutional accountability are enforced.

Therefore, the Board decides to establish an ad hoc Oversight Committee to oversee the following:

1. On contracts, payments, and recruitment:
 - The Board finds the proposed actions in the Response of the Management appropriate;
 - The Board requests that the management present an action plan to the Oversight Committee of the Board for review and approval;
 - The Board requests that the Oversight Committee report to the Thirteenth Board meeting;
 - The Board requests that the Oversight Committee involve the Global Fund's Inspector General in this process.
2. On involvement of family members of Global Fund staff:
 - The Board finds the proposed action in the Response of the Management appropriate;
 - The Board requests that the management present an action plan to the Board's Ethics Committee;
 - The Board requests that the Ethics Committee review the action plan and report to the Thirteenth Board meeting.
3. Furthermore, the Board requests that the Ethics Committee review and make recommendations to strengthen the Global Fund's conflict of interest policy in light of the deliberations of the Twelfth Board meeting.

4. The Board requests the Global Fund's Deputy Executive Director, together with the Global Fund's Legal Counsel, to prepare appropriate excerpts from the IOS report to be presented to relevant employees with respect to whom there have been adverse findings in the report. Taking into account their responses, Global Fund management should take measures to determine who is responsible for any improprieties in order to document accountability. In this process, protection of whistleblowers is also essential.

5. The Board requests the Chair and Vice-Chair of the Board to ensure that the IOS report as a whole and the Response of the Management are taken into account in the annual performance evaluation of the Global Fund's Executive Director.

6. The Board directs the Executive Director to provide a full report at the Thirteenth Board meeting on steps taken to improve oversight of compliance with existing Global Fund and WHO policies and procedures, including those already developed in response to the Report.

7. The Board decides that the mandate of the Global Fund's Inspector General includes oversight of the implementation of this decision point. The Board further requests that, in advance of the Thirteenth Board meeting, the Inspector General and the Oversight Committee report to the Board about progress in preparations and implementation called for in this decision point.

The Board approves the Statement of the Board for public release regarding the report of the IOS of WHO on allegations of improprieties in the operations of the Global Fund:

Statement

The Global Fund to Fight AIDS, Tuberculosis, and Malaria has in its first three years of operations achieved significant results that are saving lives. It strives to operate with the highest level of integrity and transparency to ensure that resources provided are properly utilized and focused on providing lifesaving services in the fight against AIDS, tuberculosis, and malaria.

The Board received allegations in July 2005 involving contracting and payments, recruitment of staff, and the involvement of a family member. These allegations concerned activities within the Secretariat in Geneva.

Acting immediately, the Board Chair and Vice-Chair and the Executive Director referred the allegations to WHO's Office of Internal Oversight Services (IOS)⁵, which after a substantial review provided a Report to the Board.

Based on the IOS Report and a review by its Ethics Committee, the Board finds that:

- There was no evidence of fraud and misuse of funds.
- There was no evidence of violations of the Policy on Ethics and Conflict of Interest for Global Fund Institutions, though there were actions that created concerns about lack of transparency.
- There were instances of violation of established Global Fund and WHO rules and procedures.

⁵ The Global Fund operates under an Administrative Service Agreement with the WHO to provide human resource and administrative services.

In response, the Board takes the following actions:

- A new Ad Hoc Committee is established to facilitate Board oversight of corrective measures being taken by Secretariat management.
- The Office of Inspector General will advise the Board on progress made by the Secretariat in implementing recommendations made in the Report and related directives of the Board, as well as to propose additional improvements that might be needed.
- The Executive Director is directed to provide a full report at the next Board meeting (April 2006) on steps taken to improve oversight of compliance with existing Global Fund and WHO policies and procedures, including those already developed in response to the Report.

In addition to these allegations, the Board also received concerns about Secretariat culture and morale, which it takes seriously. The Global Fund's success depends on the hard work and commitment of its staff. Therefore, the Deputy Executive Director has already been tasked by the Board with responding to these concerns and is now directed to provide a comprehensive progress report at the next Board meeting.

Agenda Item 9: Round 6

1. The Board Vice-Chair read a motion requesting the Secretariat to begin preparations for Round 6, including a resource forecast.
2. In the discussion that followed, a number of delegates referred to the Global Fund's role in working with partners to reach the goal of universal access to treatment and the need to mobilize funding for Round 6, and they noted that the Kigali Declaration (from the East African Regional Meeting in November) had called for a sixth round. A delegate reported that 26 grants would expire in 2006 and that the Global Fund had a responsibility to raise sufficient funds for a new round. A couple of delegates talked about the review of the Comprehensive Funding Policy.
3. A delegate emphasized that the Board must be clear that it was not launching a sixth round by asking the Secretariat to prepare for one, and that it should launch the round only when all necessary elements were in place. Subsequent discussion by delegates responded to this concern, including further comments on the process of estimating the size of a sixth round; the strategy development process, which could potentially impact the round-based funding system; and the importance of ensuring adequate resources. The Vice-Chair of the FAC, Dr Ren Minghui, representative of the Western Pacific Region, noted that the FAC would meet the next day to discuss financial forecasts for Round 6.

Decision Point: Round 6 Funding

The Board requests that the Secretariat make the necessary preparations for a Board decision, including a forecast of resources available, so that a Call for Proposals for Round 6 can be launched and proposals reviewed and approved in 2006. The Secretariat should furthermore work in close collaboration with relevant committees taking into account the established process to develop a strategy for the Global Fund.

These preparations should ensure the minimum of disruption to countries' ongoing work.

The Board notes that the mid-term review of the replenishment process in June 2006 and other resource mobilization efforts are essential for securing adequate funding for Round 6.

There are no material budgetary implications for this decision.

Agenda Item 10: Resource Mobilization

1. A motion concerning resource mobilization was presented to the Board proposing the development of a new resource mobilization strategy by the FAC, to be discussed at the Thirteenth Board meeting and to be present on all Board agendas to ensure the visibility of this Board responsibility.
2. In the subsequent discussion, it was noted that the need for sustainable, long-term resources for the Global Fund required that any resource mobilization strategy be refreshed or re-examined in parallel with preparations for a new funding round.
3. Another significant area of discussion was the question of whether producing such a strategy was part of the FAC mandate, given that resource mobilization was part of the mandate of all Board members and that it overlapped with areas of responsibility of the other committees. It was confirmed that resource mobilization was in the mandate and terms of reference of the FAC, and that it was the appropriate committee to take the lead in producing the strategy for the Board.

Decision Point: Resource Mobilization

The Board requires that resource mobilization and the replenishment process be included as an agenda item at each Board meeting, and that the Finance and Audit Committee (FAC) will develop a resource mobilization strategy to be discussed at the Thirteenth Board meeting.

There are no material budgetary implications for this decision.

Agenda Item 11: South Africa Round 1 HIV/TB Grant (“loveLife”)

1. The Chair of the TRP, Dr Jonathan Broomberg, presented the results of the TRP review on the request for continuation of funding for the Round 1 HIV/AIDS grant to South Africa (for the “loveLife” program). He provided a brief summary of the background of the review, reminding the Board that the South African CCM had submitted a request for continued funding in February 2005; that the Secretariat had twice made “No Go” recommendations on that request; and that subsequently an independent review had been undertaken and findings presented to the Eleventh Board meeting. The Board had then referred the proposal back to the South African CCM for revision and re-submission to the TRP for an independent review and recommendation.
2. He reported that a sub-group of the TRP had convened in November 2005 to review the submission and had recommended a “Conditional Go”. He noted that the original request had been for US\$ 56 million, that the revised request had been for US\$ 47 million and that the TRP had reduced the budget to US\$ 38 million, as it did not recommend extending the grant for an additional three months as requested. The TRP Chair also stated that he had recused himself from the sub-group that had conducted the review because he was South African and his participation could be considered a conflict of interest.

3. In the subsequent discussion, issues raised included the burden of HIV in South Africa and the need for prevention-focused programs such as the “loveLife” project; the recommendations made by the TRP for strengthening weaknesses in the program; the implications for funding if the conditions stipulated by the TRP were not met; and the importance of not confusing the burden of disease in a country with the financing of a particular project. Concern was expressed by a number of delegates about the slow progress of improvements and the substantial number of fundamental weaknesses that remained in the request for continued funding despite the significant amount of time that had been given to the South African CCM to address the problems since the first “No Go” recommendation had been made by the Secretariat. A delegate noted that the Board’s intention in giving the CCM a second chance to submit a revised program was to give them the opportunity to address these weaknesses. Delegates expressed their respect for the work of the TRP and the difficulty of disagreeing with a TRP recommendation but felt there was a contradiction between the recommendation and the substantial problems that remained.

4. In his response to the Board, the TRP Chair explained that if the Board approved the TRP’s recommendation, there was no obligation to fund until the TRP had approved all clarifications. He also noted that he could not address in detail the substance of the TRP discussion as he had not participated in the panel. However, he reviewed the general points of process on how the TRP considered issues of proposals containing both strengths and weaknesses, and he said that the TRP took weaknesses into account in deciding that, on balance, a proposal was worthy of recommendation for further funding. The TRP Chair stated that, based on experience over four rounds, most Board-approved proposals had passed the clarifications process, addressing any problems identified by the TRP and meeting all other conditions to be addressed in grant negotiations. There had been a few exceptions where grants had not been funded as a result of missing deadlines. He confirmed that if weaknesses were not addressed during the clarifications phase, Phase 2 of the grant would not be funded.

5. A formal roll call vote was called, and the motion to continue funding the “loveLife” project was defeated. The Board therefore decided not to continue funding the “loveLife” project for Phase 2.

Agenda Item 12: Appeals – Round 5

1. Mr Ruwan de Mel, General Manager of Operations Support within the Secretariat, presented the Round 5 appeals on behalf of the Appeals Panel, noting that the Secretariat had not been part of the appeals process. He described the composition of the Appeals Panel, which had been made up of two members of the TRP and an expert from each of UNAIDS and WHO, and which had met 24-25 November 2005. He reviewed the eligibility of countries to appeal Round 5 decisions and said that of 21 received, 19 had been deemed eligible. He reviewed all eligible grants and concluded with the four grants the Appeals Panel had recommended for funding: Equatorial Guinea (malaria); Philippines (TB); Sudan (TB); and Sudan (HIV/AIDS), with a total value of US\$ 63 million over the first two years.

2. The delegate representing the World Bank asked that the record reflect that the World Bank supported the appeals process but that as the Trustee, they could not participate directly on the panel due to conflict of interest. The World Bank had tried but had been unable to provide a non-World Bank expert for the panel due to the fact that the process had occurred on an American holiday weekend.

3. The CFO informed the Board that the consequence of the “No Go” decision just taken by the Board was that US\$ 60 million would be available at the end of 2005, but since US\$ 63 million would be needed to fund the four recommended appeals, it would still be necessary to wait until 2006 to fund them. Some discussion ensued regarding the possibility of pre-approval of the successful appeals, pending adequate funding. It was concluded that current policy required all funding to be available before any approval.

Decision Point: Appeals-Round 5

1. The following proposals will be approved by the Board as Category 2 proposals, based upon the Appeal Panel recommendation, subject to paragraph 2 below and through Board confirmation by e-mail, as funds become available to cover all four proposals under the terms of the Comprehensive Funding Policy:

- i. Equatorial Guinea (Malaria)
- ii. Philippines (Tuberculosis)
- iii. Sudan (HIV/AIDS)
- iv. Sudan (Tuberculosis)

2. The Board’s approval will be for the amount indicated as “Total 2 Years” in Annex 2 to the Report of the Internal Appeal Panel (GF/B12/8) and will be made with the clear understanding that such amounts are upper ceilings rather than the final Phase 1 Grant amounts.

The proposal applicants shall provide an initial reply to the clarifications requested by the Appeal Panel no later than six weeks after notification in writing by the Secretariat to the applicant of the Board’s decision. Any further adjustments and clarifications shall be completed within four months from the receipt of the initial reply from the applicant.

There are no material budgetary implications for this decision.

Agenda Item 13: Portfolio Committee

1. In his report, Mr. Flavio Lovisolo, Vice-Chair of the PC, presented a summary of analysis from the first meeting of the PC regarding the extension of the terms of service of the TRP Vice-Chair, increasing the number of alternate members of the TRP, Phase 2 procedures and no-cost extensions. He then presented a set of related decision points to the Board.

TRP Membership, Phase 2 Decision-making Policies and Procedures, No-cost Extensions

2. The first decision point concerned the extension of the terms of service of the TRP Vice-Chair. In order to benefit from the experience of its veteran members and maintain a level of continuity, the TRP had made the decision that the person selected as TRP Chair should have previously served two terms as Vice-Chair. As both the current Chair and Vice-Chair would come to the end of their terms of service after Round 6, the PC requested an extension to allow the current Vice-Chair to serve for two more rounds in order to provide that continuity of leadership for Rounds 7 and 8.

3. The second decision point concerned is increasing the number of alternate members of the TRP by four – one for each of the three diseases and one cross-cutting expert – in order to provide the TRP with the flexibility to respond appropriately to the variable characteristics of each new round as they emerged.

4. The next decision point concerned the PC's recommendations for the Phase 2 process regarding the use of an independent review group to examine grants given a "No Go" recommendation by the Secretariat. It was suggested that the independent review group make field visits when necessary and prepare considerations for the PC and Board.

5. The final decision point under consideration concerned no-cost extensions of up to six months for grants in Phase 2 under exceptional circumstances, including in cases of natural disaster or civil unrest, or in a situation where grant-allocated funds remained following the successful completion of Phase 2. Such extensions had already been requested in three cases, and the intent of the proposed policy decision was to harmonize existing policy for Phase 1 with a similar policy covering Phase 2. It was confirmed that the total duration of any grant would be no more than five and a half years, even if there were no-cost extensions in both Phases 1 and 2.

6. The Vice-Chair of the PC closed by summarizing a number of areas to be covered in future meetings, including: the guidelines for Round 6; the challenges of health systems strengthening; a review of current clarifications processes; Green Light Committee (GLC) procedures; the role and budget of LFAs; and policies concerning bridge funding for continuity of services. Given the upcoming workload, the PC Vice-Chair asked the Secretariat to increase resources available in the form of staff members released to work full-time with the Committee.

7. Subsequent discussion on the PC report included: the issue of reducing the PC workload by working with technical partners whose mandate and expertise included some of the areas on the PC agenda; the question of retaining health systems strengthening as a grant component; and the issue of PRs serving as CCM Chairs, despite the inherent conflict of interest.

8. A request was made that the streamlining of the workload of global health initiatives such as the Global Fund and GAVI, as discussed at a high-level forum on the Millennium Development Goals in Paris, be added to the agenda of the April Board meeting, with some advance examination of how the principles adopted by the GAVI Board might be adapted to the Global Fund.

9. In response to questions from the Board, the PC Vice-Chair clarified that the PC had done an initial analysis of the importance of the GLC for the proper functioning of the Global Fund and had formed a working group, which would present a report to the next PC meeting. He reported that there was also a working group on health systems strengthening as a component, chaired by the WHO, which had provided the PC with a first-draft report for discussion. He confirmed that the Secretariat had prepared an analysis on the role of LFAs and the types of contracts being used, also for review at the next PC meeting, and that the issue of Round 6 eligibility was already under discussion.

10. Regarding TRP remuneration, it was explained that after Round 2, the Secretariat had been asked to investigate whether TRP remuneration was in line with that of other agencies. The results were presented to the Board, which then approved TRP fees that were equivalent to those paid by GAVI. The question of revisiting the issue had recently been raised.

11. It was noted that decisions concerning Phase 2 could change the nature of the work of an independent panel reviewing "No Go" recommendations. Delegates discussed the potential remit of independent panel field visits.

12. Regarding the TRP decision, discussion concerned the importance of continuity of TRP leadership; the implications of a potential future change from the round-based model following the strategy development; and the independence of the TRP in selecting its leadership. A formal vote was called, and decision recommended by the PC was not passed by the Board.

13. Discussion on the addition of four alternate members to the TRP included the possibility of replacing a cross-cutting expert with an expert in health systems strengthening and the possibility of requiring a person living with HIV/AIDS on the TRP. A related decision point calling for geographical diversity for the four additional alternates was debated, and discussion centered on the hierarchy of criteria, including merit, geography and gender.

Decision Points: Technical Review Panel Membership

Decision Point 1:

Mindful of the current distribution of the geographic diversity of the Technical Review Panel (TRP) pool, the Board requests the Portfolio Committee (PC) to recommend for approval at the Thirteenth Board meeting one additional Alternate Member of the TRP for each area of expertise (HIV/AIDS, tuberculosis, malaria and cross-cutting).

Decision Point 2:

The Board authorizes the Chair and Vice-Chair of the Technical Review Panel (TRP) to add temporarily up to four members, which shall be selected from existing Alternate Members, to the membership of the TRP for a given round of proposals, where appropriate in light of the number of proposals and their distribution among categories.

There are no material budgetary implications for these decisions.

Decision Point: Phase 2 Decision-Making Policies and Procedures

The Board approves the document entitled "Phase 2 Decision-Making Policies and Procedures" included as Annex 1 to the Report of the Portfolio Committee (GF/B12/6) and as amended at the Twelfth Board Meeting and revokes all previously approved versions of such document.

Phase 2 Decision-Making Policies and Procedures

1. The Board may commit funds for Phase 2 renewals (up to the full duration of a proposal) up to the cumulative uncommitted amount pledged through the calendar year of the Board decision.
2. The Board makes funding decisions for Phase 2 renewals based on its review of Secretariat or Technical Review Panel (TRP) recommendations, according to procedures agreed by the Board.
3. The Secretariat or TRP will present the Board with its recommendations on the first of every month (notice to Board constituencies of a recommendation shall be effective upon the posting of the recommendation on the Global Fund website; the Secretariat will inform Board constituencies via e-mail when recommendations have been posted). The Board will vote by email on each recommendation on a no-objection basis. Votes must be received by the Secretariat no later than the tenth of the same month.
4. In exceptional circumstances, the Secretariat may need to take more than 20 months to provide a Phase 2 recommendation to the Board. In such situations, the Secretariat may extend, at no cost, the term of Phase 1 grant agreements by up to six months. The Secretariat shall inform the Board immediately upon taking action under this decision.
5. If the Secretariat decides to issue a "No Go" recommendation, it shall give notice of that intention and the reasons for it to the relevant CCM and allow that CCM four weeks to comment on the information submitted to it by the Secretariat.

6. The Secretariat shall review and consider the information provided by the CCM, and then make its recommendation to the Board. The information provided by the CCM shall be made available to the Board.
7. A Board decision in favor of a Secretariat or TRP recommendation either:
 - commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” “Conditional Go,” and “Revised Go”); or
 - does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.
8. If the Board does not decide in favor of a Secretariat or TRP recommendation, this would serve to request further clarification on the recommendation and ask the Secretariat or TRP to reassess its recommendation. To facilitate the clarifications process, those Board constituencies that are not ready to decide in favor of a Secretariat or TRP recommendation would provide a written explanation that is made publicly available. The Secretariat or TRP will review its recommendation in light of the questions and comments of those Board constituencies and will then present a second recommendation on the first day of the subsequent month (unless time constraints make it necessary to wait to the month thereafter). The Board then votes again, on the second Secretariat or TRP recommendation, using the procedures described above.
9. A Board decision in favor of the second Secretariat or TRP recommendation either:
 - commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” “Conditional Go,” and “Revised Go”); or
 - does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.
10. In the event that (i) the Board rejects a first “No Go” recommendation, (ii) the Secretariat issues a second “No Go” recommendation to the Board and (iii) the Board rejects the Secretariat’s second “No Go” recommendation, the matter shall be referred to an independent panel, which shall assess the specific areas where the Board and the Secretariat differ on their assessment of the grant and report its conclusions to the Board.
11. The composition of the Independent Panel will be based on the following principles:
 - Size: two senior members supported by 1-2 contracted analysts, as appropriate;
 - Independence: potential conflicts of interest should be taken into consideration in selecting these members;
 - Profile of Senior Members: the team of senior members should have a solid understanding of country processes;
 - Profile of Analysts: analysts should have the capability to fully understand GF principles and procedures;
 - Identification of Candidates: pool of pre-qualified candidates for Senior Members and Analysts is identified through partners, including WHO, UNAIDS and the World Bank. A list of these candidates is compiled by the Secretariat and each candidate submits a CV to the file for review. A proposed “reserve list” will be compiled based on this selection process;
 - Selection of Panel: the list of tentative candidates will be submitted to the Chair and Vice-Chair of the Board and the Chair and Vice-Chair of the PC. The selection of the Senior Members and Analysts of the independent panel shall be carried out by the Chair and Vice-Chair of the Board in consultation with the Chair and Vice-Chair of the PC;
 - Panel members (senior members and contracted analysts) will be remunerated; and
 - The Secretariat will facilitate the process.

12. The Independent Panel's scope of work will be based on the following principles:
- The objective of the external assessment will be to submit conclusions to the Board based on all information put forth by the CCM, PR, Secretariat and Board constituencies;
 - The analysis shall include a chronology of information provided, a typology of the content and an analysis of the source and flow of information;
 - The assessment shall take into consideration the different arguments analyzing how they refer to each other, highlighting areas of agreement and disagreement, and defining the areas which have not been previously addressed by the parties involved; and
 - The Independent Panel shall report to the Board no later than six weeks after receipt of the relevant information from the Secretariat.
13. The final decision on making a funding commitment will be made at the next Board meeting.
14. In circumstances in which insufficient resources remain in Phase 1 to cover financing needs until any Board decision in the Phase 2 procedure can be operationalized, the Board authorizes the Secretariat to extend the terms of the grants by up to six months, and to provide bridge funding for such grants as appropriate. The Board authorizes the Secretariat to commit up to a maximum of one-half of the first year budget contained in the Request for Continued Funding in question for these purposes, which would be financed by utilizing the Phase 2 renewal funding of the proposal. The actual amount committed by the Secretariat would be based primarily on the performance and disbursement patterns in Phase 1.
15. For proposals for which the Board commits Phase 2 funds, a sufficient amount of assets to cover the full costs of the extension of the Grant Agreement must be deposited with the Trustee or readily available on demand prior to the Secretariat extending a Grant Agreement.
16. The Technical Reference Group (TERG) will regularly review and report on the soundness of the Phase 2 review and decision process to the Board through the Portfolio Committee.
17. The Phase 2 decisions will typically be taken based on recommendations that are made 20 months after the Program Starting Date (exceptions could include for situations of force majeure). The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.
18. These procedures for the Board commitment of funds for Phase 2 are subject to a time-limited trial period. The Board asks the Portfolio Committee (PC) to review these procedures or should adopt an alternative set of procedures. Based on these recommendations the Board will reconsider the procedures at the Thirteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point: Extension of Proposal Completion Dates

Decision Point 1:

The Board authorizes the Secretariat to extend the Phase 2 term of Grant Agreements by up to six months, without committing any additional funding, in circumstances where the Principal Recipient (PR) is prevented, due to exceptional circumstances, from using the full amount of Grant funds during the Phase 2 term.

Decision Point 2:

The Board decides that in circumstances where the term of a Phase 1 Grant Agreement has been extended in accordance with paragraph 4 of the Phase 2 Decision-Making Policies and Procedures attached as Annex 1 of the Report of the Portfolio Committee (GF/B12/6) (a "Phase 1 Extension"), the Secretariat may extend the Phase 2 term of Grant Agreements by up to an equal length of time as the Phase 1 Extension without committing any additional funding.

The Secretariat shall inform the Board immediately upon taking action under Decision Point 1 and 2.

There are no material budgetary implications for this decision.

Agenda Item 14: Any Other Business

1. A motion was proposed to extend the terms of reference of the Ethics Committee to include possible conflicts of interest regarding former staff members. It was explained that at the Eighth Board meeting, a policy had been adopted for retiring TRP members and that current policies covered current staff members. The proposed decision would require the Ethics Committee to review the issue of conflict of interest with former staff members and to present it for decision at the next Board meeting.

Decision Point: Conflicts of Interest of Former Employees

The Board decides to extend the Terms of Reference of the Ethics Committee (EC) to cover conflicts of interest in relation to former staff members of the Secretariat and requests the EC to develop a policy regarding this matter at the Thirteenth Board Meeting.

There are no material budgetary implications for this decision