

REPORT OF THE TWENTY-SEVENTH BOARD MEETING

PURPOSE: This document presents the draft Report of the Twenty-Seventh Board Meeting held in Geneva over 13 and 14 September 2012 and includes all decisions made at that meeting as Annex 1. The Report of the Twenty-Seventh Board Meeting is subject to ratification by the Board of the Global Fund at its Twenty-Eighth Meeting in November 2012.

Accompanying documentation from the Twenty-Seventh Board Meeting is available at <http://www.theglobalfund.org/en/board/meetings/twentyseventh/documents/>

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board meeting.

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Agenda Item 1: Opening

1. The Board Chair, Mr. Simon Bland, welcomed Board Delegates to the Twenty-Seventh Board Meeting, an extraordinary Meeting that the Board decided to hold in order to launch the Global Fund's new funding model in order to maintain momentum in investing for impact. The Chair thanked the Secretariat and the Strategy, Investment and Impact Committee (SIIC) for their hard work in the lead-up to the Board meeting. He also thanked delegates for their active participation in the pre-meeting briefing sessions.
2. The Chair went on to welcome three newly formed Board Constituencies: the European Commission constituency that was re-formed to represent Belgium, Finland, Poland, Italy and Spain; the Germany constituency; and the Canada/Switzerland constituency. He thanked the outgoing Board Member for Japan, Mr. Masaki Noke, for his personal dedication and that of Japan to the work of the Global Fund Board in difficult times for Japan. Mr. Noke will move to the office of the Prime Minister but will continue to serve as Chair of the 2012 Executive Director Ad-Hoc Nominations Committee for the selection of the next Executive Director.
3. The Board Vice-Chair, Dr. Mphu Ramatlapeng, joined the Board Chair in welcoming delegates and thanked them for their support with the ongoing governance reform. She informed them that following the elections in Lesotho she has stepped down as Minister of Health and will take up the position of Executive Vice-President of HIV and Tuberculosis Programs at the Clinton Health Access Initiative (CHAI). However she will continue to serve as Board Vice-Chair until the next leadership elections in May 2013. She then proceeded to open the meeting.
4. A candle was lit in honor of Ms. Nadia Fuleihan of UNDP's Global Fund Partnership Team, and David, the husband of Lucy Cheshire (the Alternate Member for the Communities constituency) who were both killed in tragic road accidents. The Board observed a moment of silence to remember all the lives that have been lost to the three diseases since their last meeting.
5. Dr. Palitha Mahipala from the South East Asia constituency was appointed as rapporteur for the meeting (*Decision Point GF/B27/1*).
6. The Board approved the meeting agenda (*Decision Point GF/B27/2*).
7. The Board approved the report of the Twenty-Sixth Board Meeting (*Decision Point GF/B27/3*).
8. The Chair presented a tracking sheet of actions emanating from the Twenty-Sixth Board Meeting and requested the Board to endorse the content of the action sheet and provide comments in writing before the Twenty-Eighth Board meeting.

Agenda item 2: Organizing to Deliver and Implementing the Strategy

9. The General Manager, Mr. Gabriel Jaramillo, thanked the Board for its support and Secretariat staff for their dedication in 2012. In presenting his report¹ he stressed the importance of leveraging partnerships and co-financing in managing grants, stating

¹ GF/B27/02. Report of the General Manager

that “partnering is one of the most fundamental things about this transformation”. He highlighted achievements made through collaboration with technical partners to develop “investment frameworks” across the three diseases, and through strengthening management structures by putting in place an executive team which expedites decisions in a collegial way. He thanked the outgoing interim Chief Financial Officer (CFO), Mr. Charlie Johnson, for his tremendous contribution to the transformation process and welcomed the new CFO, Mr. Daniel Camus.

10. In their interventions in the first discussion of the day, delegates expressed their condolences to the United States on the attacks on the US ambassador and his team in Libya.
11. Board delegates thanked the General Manager for his clear and detailed report. The increased emphasis on collaboration between the Global Fund, countries implementers and partners to fight the three diseases was welcomed, and suggestions were made that the Global Fund continue to move towards funding national health strategies and supporting in-country priority-setting, as well as strengthen the role and inclusiveness of Country Coordinating Mechanisms (CCMs). The role of civil society in Global Fund operations was reaffirmed as crucial for the organizations’ future, and it was suggested that a key performance indicator be introduced to evaluate civil society engagement in Global Fund operations.
12. Delegates also commended the progress made on fraud reduction and misuse of funds through better risk management. Finally, delegates expressed their anticipation of the discussions on the “Results Report” at the next Board meeting.
13. Concern was raised about slow disbursements, and delegates welcomed the focus on this issue in the General Manager’s report. Delegates emphasized the need for a focus on ensuring sustainability of health programs especially in countries with large grant commitments. The Board appreciated the work with the World Health Organisation and other partners on mitigation of supply management bottlenecks through capacity building, and suggested that this be expanded to a high-level dialogue with joint actions in countries.
14. In responding, the General Manager thanked Board members for monitoring the impact of grant investments on the ground. He noted the challenge of enforcing the Global Fund’s approach of zero tolerance for fraud and misuse of grant funds while maintaining essential services for people who need them, and described approaches identified with countries to mitigate the risks, such as the use of fiduciary payment agents. On disbursements, he noted that despite a reduced rate of disbursements during the transformation phase, he still expected the Global Fund to have disbursed approximately USD 3 billion for the 12 months to end December 2012.
15. Delegates requested details about the 28.5 percent efficiency savings made on grant budgets at Phase 2 renewals in 2012. The Deputy General Manager, Dr. Debrework Zewdie, explained that as part of the Global Fund’s more country focused way of working, countries and CCMs were being actively involved in discussions on whether funds were being invested in the right interventions. Where savings were identified, they were either re-invested by strategic re-programming, or the grant amount was adjusted after full discussion.
16. During the discussions on the corporate transformation process, delegates enquired about the nature and cost of outsourced services, and staff morale at the Secretariat. The General Manager responded that the only outsourced core business was related to IT functions, although the grant architecture IT team is a part of the Secretariat.

He estimated the value of outsourced services at roughly USD 10 million. He further mentioned that a baseline survey looking at the employment climate will be completed in time to inform the incoming Executive Director, and confirmed that direct contact of Board Members with the Staff Council or the Ombudsman could be arranged.

17. The General Manager informed the Board Members that work to strengthen the function of health product procurement and Voluntary Pooled Procurement services had started in July as planned. Procurement information systems were under construction, recruitment of a senior supply chain specialist was at an advanced stage, and the Secretariat was considering investing some of the revolving risk reserve in a PEPFAR emergency commodity stock to avoid stock-outs.
18. Finally, the General Manager pointed to the recent improvements in financial information provided to the Board and added that going forward systems should be strengthened to monitor the impact of investments on the ground.

Agenda item 3: Executive Director Selection

19. The Chair and Vice-Chair of the 2012 Executive Director Ad-Hoc Nominations Committee (AHNC), Mr. Masaki Noke and Mr. Karlo Boras, updated the Board on progress made with the search for high-caliber candidates for the next Executive Director of the Global Fund. The update included a review of the comprehensive search campaign that the AHNC had designed with the support of Russell Reynolds Associates, the Executive Search firm engaged by the AHNC for this key role.. This involved a worldwide multi-language advertising campaign, inputs from all Board constituencies through one-on-one calls, and Russell Reynolds' outreach through their extensive networks. From the more than 400 contacts that were spoken with and/or expressed interest in the role, the AHNC developed, first a long-list of potential candidates, and then further refined this to a group of 11 individuals that would be invited to participate in the first round of interviews.
20. The AHNC Chair and Vice-Chair shared that interviews would be held in London, and first and second round interviews would be held on, respectively, 10-11 October, and 25 October. It was noted that the AHNC was working to ensure that it delivered its recommendations on a final short-list of up to four candidates, which would include at least as many women as men, on 1 November 2012. The AHNC Chair confirmed that the report would be sent to the Board Chair and Vice-Chair to on-forward the AHNC's report to the Board under a cover note from the Board Leadership. Constituencies emphasized that they wished to have the AHNC's Report as soon as possible after it had been forwarded to the Board Leadership, and the Board Chair confirmed that this was his intent.
21. During the Board's discussions on the AHNC's Chair and Vice-Chair presentation, the three other AHNC members who were either Board Members or Alternate Members, and therefore present at the meeting, reinforced the excellent work climate and outstanding trust within the committee. They also reiterated the very thorough and transparent work approach of the AHNC amongst its members, and the benefit that the strict confidentiality arrangements brought to the shared work of the AHNC and Russell Reynolds Associates. They commended the work of the three non-constituency members of the AHNC, noting that they had brought a different approach and vision to the work of the AHNC.

22. The Board thanked the AHNC and the Advisor to the Board Chair, Ms. Karmen Bennett (who had supported the AHNC as the Secretariat officer), for their work and expressed its full trust in the nomination process.
23. One Board Member asked whether all possible efforts had been made to present the Board with the world-class managers and leaders it was anticipating to be included in the short-list. The AHNC Chair clarified that the AHNC's strategy had been for Russell Reynolds to be the lead contact with all candidates, to deliver a process that emphasized equally and impartially. The Chair further confirmed, as did other AHNC colleagues who were seated at the Board table during this session, that Russell Reynolds had been very proactive in their efforts, and used multiple strategies to ensure effective engagement with potential candidates. He added that ultimately not everyone who was approached agreed to proceed as a candidate, and the reasons for this varied. However, he concluded by saying that the AHNC believed that they had a very strong pool of candidates to meet for first interviews in mid-October. In responding to another question from the floor, the AHNC Chair confirmed that there would not be any ranking of the candidates by the AHNC.
24. Delegates requested that, as had been a feature of the 2012 Executive Director selection process to date, the Board Leadership consult further with the Board on how the information delivered by the AHNC on 1 November would be accessed, and then how the Board would undertake its deliberations at the Twenty-Eighth Board Meeting. Constituencies expressed their wish to meet candidates if possible and to receive comprehensive candidate profiles together with the AHNC's reasons for including them in the short list, before making their decision at the Twenty-Eighth Board Meeting.
25. The Board agreed on next steps as follows: Constituencies to provide inputs on the proposed approach and timelines for the selection process by 15 October. Peer organizations' processes would also be reviewed. The Board Leadership would then consult with constituencies by phone and teleconference to agree on the process to be followed and this process would be sent to the Board for formal approval before delivery of the final short list of candidates on 1 November 2012. A final observation from one Board Member was that it would be important for the Board to take the report on 1 November and move forward from that point, and not repeat the excellent work of the AHNC.

Agenda item 4: Launch of Board Chair and Board Vice-Chair Nominations process

26. Global Fund Bylaws call for Board Chair and Board Vice-Chair elections at two-yearly intervals, with the next Board Chair and Vice-Chair taking up their positions following the Twenty-Ninth Board Meeting. The Chair presented the Board with a timeline for the selection process of the next Board Chair and Vice-Chair as well as revised Terms of Reference (TORs) for the roles. He went on to explain that a Decision Point to formally adopt the revised TORs before the launch of the search and selection process had been included in the background paper that the Board had received on the topic.
27. The conveners of the donor and implementer blocs confirmed their support for the proposed process. They explained that work had already begun to identify candidates for the next Chair and Vice-Chair of the Board.

28. Delegates thanked the current Board Chair and Vice-Chair for their outstanding leadership during a challenging period for the Global Fund and reaffirmed their commitment to identify and attract the best candidates for their successors.
29. To bring to finalization the draft TORs, delegates suggested a small number of additional edits. These included re-phrasing the description of the roles to increase the indicative time commitment, and defining the situations in which the Chair would cast a decisive vote. It was also proposed to refer to civil society consistently alongside the public and private sectors in describing required competencies. In addition, one delegate suggested that the Board reevaluate the link between the Board Chair and Vice-Chair and their respective nominating blocs as his constituency wanted the Board Chair and Vice-Chair to maintain some representational responsibility to their blocs. Finally, there was a suggestion that the Board leadership roles should have an honoraria associated with them to ensure that the best possible candidates could be selected.
30. Due to the limited time available and the clear need for additional discussion on the TORs, the Board Chair decided against introducing the proposed Decision Point. Instead, he asked that constituencies provide their inputs to the Board Leadership before the Twenty-Eighth Board Meeting.

Agenda item 5: New funding modalities under the 2012-2016 Strategy

31. The adoption of new funding modalities to accelerate the implementation of the Global Fund's 5 year strategy was the major strategic topic to be discussed at the Twenty-Seventh Board meeting. In opening the conversation the Chair started by thanking the Strategy, Investment and Impact Committee (SIIC) and the Secretariat for their incredibly hard work in putting together an exciting proposal for providing funding to countries through new grant making modalities.
32. The General Manager set the scene for the discussion by situating the proposed new funding model within the wider context of the Global Fund vision of better grant management, and he outlined the principles of the ongoing "Better Grants Project", which is based on proactive and strategic work with countries and partners.
33. Todd Summers, the Chair of the SIIC, presented the proposed funding model to the Board, referring to six key design principles: (1) consistency with the strategy of *Investing for Impact*, (2) alignment with national schedules, context, and priorities, (3) a focus on countries with the highest disease burden and least ability to pay while keeping the Global Fund global, (4) simplicity for both implementers and the Global Fund, (5) predictability of the process and funding, consistent with the accords of Paris, Accra, and Busan, and (6) obtaining full expressions of demand. He presented the elements on which wide agreement has been reached:
 - a. Bands: Groups of countries, where are not yet determined, to which funding will be collectively allocated based on disease burden, ability to pay and possible other factors, and considering special initiatives and the needs of most-at-risk populations (MARPs).
 - b. Country dialogue, bringing together in-country stakeholders and partners including civil society, to identify country-level funding needs, based on National Strategies where available, or on a strong investment framework or investment case.

- c. Concept note: A concise yet sufficiently informative proposal developed through country dialogue which will state the country-level need, budget, demand, gap and implementation modalities, for review by the Technical Review Panel (TRP). The iterative dialogue is expected to result in high-quality concept notes.
 - d. Grant-making: Translation of the Concept Note into a final country-level funding amount and disbursement-ready grants for Board approval. The principle of dual track financing through government and non-governmental recipients will be maintained.
 - e. Unmet needs (queued demand): TRP-recommended demand that exceeds the immediately available grant funds recommended for Board approval. This queued demand would be available for funding by the Global Fund or by other donors.
34. The SIIC Chair then listed the items for which details had yet to be determined: (1) composition of the bands and allocation of funding to them, (2) determination of indicative funding ranges for countries in a strategic yet equitable manner, given the different country contexts and timing of announcements of this without curtailing expressions of full demand, (4) updating and prioritization of unmet needs, (5) piloting, implementation and monitoring of the funding model, and (6) enhancement of Secretariat capacity and skills to facilitate an effective dialogue with countries and partners.
35. The discussions on the new funding model extended over three separate sessions on the two meeting days. A draft Decision Point was introduced at the end of Day 1, with two amended versions introduced during subsequent sessions on Day 2, reflecting the Board's discussions as summarized below.
36. Board delegates congratulated the SIIC and the Secretariat for their work in developing the proposed model, which marks an important step in evolving the Global Fund business model. They welcomed the explicit statement of adherence to the accords of Paris, Accra and Busan, and noted that a shift towards best use of globally available funding in dialogue with countries and partners is needed to sustain the fight against the three diseases.
37. Delegates stressed the need for a simple model to ensure successful implementation in countries, as well as the fact that recipients must be kept informed and reassured that funding will continue. They called for substantial information exchange and consultation with constituencies to ensure common understanding and buy-in.
38. Delegates suggested that the Decision Point should include a timeline for first disbursements under the new model. In the lead-up to the 2013 replenishment conference, this would send an important signal to donors that funding pledges would need to be of the magnitude for which the model is designed. The Chair noted that it is still unclear how the model will be introduced.
39. With regard to the overarching principles of the new funding model, delegates urged the Board to address the needs of most-at-risk populations (MARPs) for all three diseases and of small countries and areas with migrant populations that pose an increased risk of emerging resistance, for example, malaria in the Mekong Delta, and HIV and tuberculosis in the Caribbean States. Multi-country approaches may be envisaged where appropriate. The Board re-emphasized the importance of engaging

civil society throughout grant allocation and management to leverage the multiple and crucial roles of this group in bringing services to the people.

40. There was broad consensus that country dialogue, with alignment to national systems and a focus on co-financing, is one of the decisive elements of the new model. This dialogue should be ongoing throughout grant management, and would provide opportunities to strengthen CCMs and regional mechanisms. The dialogue should include technical partners, other donors and civil society with clearly defined roles and responsibilities. It was noted that alignment with national systems is complex and time-consuming, and that the Secretariat is not yet equipped to lead technical and political discussions. Technical partners' country presence can be leveraged but partners' resource limitations may need to be addressed.
41. Concerning the allocation of funds to the bands, the Board recognized that the use of global targets based on historical funding levels are a practical way to use an allocation methodology as that allows for the use of specific burden measures in each of the three diseases. However, the Board decided that there should be flexibility regarding the distribution of funding between the three diseases at country level. In addition it was agreed that this approach based on historical funding levels should be improved within a year's time, and be replaced by a method that takes into account the actual funding requirements in proportion to the burden of the three diseases.
42. To combine the benefits of the different options proposed in the background paper², one constituency proposed a modified Decision Point to allocate funding to each Band in two portions:
 - a. One covering indicative country funding as a predictable and upfront basis to negotiate alignment with national budgets and co-funding in the country dialogue; and
 - b. Another, to reward ambitious proposals expressing quality demand.
43. At the country level, allocations from either portion of the band's resources should form a single funding stream, with the majority of the funds allocated to cover essential services, and a lesser part allocated to reward for grant performance linked to program impact. While a country's ability to pay could reduce its funding allocation, its willingness to pay should increase its allocation and thereby incentivize co-financing.
44. Recognizing that the resources currently forecast to be available to the Global Fund are insufficient to meet the full expression of quality demand, the Board supported the concept of setting aside the unmet demand for potential subsequent financing by the Global Fund or others. The General Manager cautioned that the unmet demand should not be understood as an entitlement from Global Fund resources. Rather it should promote advocacy and sustainability by leveraging funding from all available resources, including partners and countries' own national budgets.
45. The final amended Decision Point was introduced in the afternoon of Day 2, along with a timeline for next steps to develop the model further for decision at the Twenty-Eighth Board Meeting. The General Manager expressed his satisfaction at the

² GF/B27/04: Options for a New Funding Model

proposed direction and described the development of the new funding model as an evolutionary process that will be monitored and refined in implementation.

46. Two delegates objected to the wording “one single or consolidated concept note *per disease*” in Paragraph 7 of the Annex to the Decision Point. The Chair explained that the wording is meant to maintain current flexibilities for countries to determine when and how best to request funding across the three diseases.
47. The Board requested the SIIC to work further on additional elements for the Board to approve at its Twenty-Eighth meeting. Delegates expressed their keen interest to stay engaged, and requested the Board Leadership to put into place a process for communication and consultation with all constituencies on the further development of the new funding model in the lead-up to the next Board Meeting.
48. Several delegates supported the suggestion to pilot the model in early 2013. The Chair of the SIIC added that the committee should examine possibilities of linking the model to the level of available resources.
49. The Board adopted Decision Point GF/B27/DP7.

Agenda item 6: Forecasting resources for the future

50. The Finance and Operational Performance Committee (FOPC) Chair, Dr. Viorel Soltan, summarized work done to strengthen the forecasting methodology used to determine Global Fund assets, and described the methodology as a tool to monitor the financial health of the organization. He invited the outgoing interim Chief Financial Officer, Mr. Charlie Johnson, to present the updated forecast of assets, including uncommitted assets. Mr. Johnson began his presentation with a brief personal message, stating that his time at the Global Fund has been “the most rewarding employment experience of my life”. He then introduced the incoming CFO, Mr. Daniel Camus.
51. In presenting an update on the Fund’s forecasting tool of uncommitted assets³, the outgoing CFO outlined the process used to estimate sources, uses and commitment of funds over the next three years. He cautioned that the forecast reflected considerable variability over time given the uncertain nature of its constituent elements. Nevertheless he stated that the updated balance of approximately USD 1.4 billion of uncommitted assets at the end of 2014 (up from USD 1.055 billion estimated in May 2012) gives reason for “cautious optimism”.
52. The incoming CFO specified that the forecast included financial commitments and disbursements that stem only from Board-approved funding proposals and related Board decisions, including the Transitional Funding Mechanism. He clarified that the forecast is incomplete as it does not take into account, among other things:
 - a. The potential for additional costs tentatively estimated at USD 1 billion to extend currently active grants expiring in the period 1 April 2014 to 30 June 2015 to allow for implementation of the new funding model;

³ See GF/B27/03. Forecast of Assets, July 1, 2012 – June 30, 2015

- b. Potential additional costs of up to USD 171 million during 2013 to further subsidize the availability of artemisinin-based combination therapy (ACTs) at a reduced cost to patients through the private sector, whilst the Global Fund transitions out of Phase 1 of the Affordable Medicines Facility – Malaria (ACTs are covered in grant commitments); and
 - c. Potential additional donor contributions of USD 420 million during 2014 and 2015 at less conservative estimates, assuming a steady incoming flow of USD 3 billion per year.
- 53. Included in the forecast is a revolving unanticipated risk provision of USD 500 million to cushion against, among other things, potential exchange rate fluctuations, reductions or delays in donor contributions, and lower-than-expected savings at grant renewal. At the same time, on a day-to-day operational basis, all actual uncommitted assets, including those provisioned for unanticipated risk, are available for making financial grant commitments.
- 54. In response to a question from the Board, the outgoing CFO and the World Bank representative clarified the differences between the Global Fund and World Bank financial information and explained that these are reconciled periodically. The incoming CFO added that the Global Fund's financial systems are being reconfigured and will include an interface between accounting and treasury.
- 55. Implementer representatives were reassured to see a cautious and reliable forecast with a stabilizing balance of uncommitted assets and reminded the Board of the enormous amount of work still to be done in countries. Donor representatives cautioned against undue prudence, suggesting that the Fund should analyze its ethical obligations and consider prioritizing present service delivery over future risk minimization. Suggestions for risk mitigation included currency hedging and a more proactive management of the unanticipated risk provision.
- 56. The outgoing CFO and the FOPC leadership responded that there are risks outside of the control of the Global Fund, and that improved financial systems would assist the Global Fund to make a more informed balance between conservative and non-conservative strategies, thus potentially reducing the need for a reserve. It was also noted that the Global Fund was increasing its already existing focus on ethical risk arising from programs coming to an end without other resources to continue services. The point was made that this may require some part of available funding to be directed to such programs, whilst maintain a clear focus on spending funds for best impact.
- 57. To conclude the session, the Director of Resource Mobilization and Donor Relations, Dr. Christoph Benn, gave an overview of key resource mobilization events leading up to the fourth replenishment conference in September 2013. These included a dinner hosted by the UN Secretary General on 25 September 2012 marking the launch of the replenishment communication campaign, which is a one-year digital campaign called "The Big Push", and the "Here I Am" online campaign of stories told by HIV-positive people whose treatment is supported by the Global Fund. The Global Fund Advocates Network (GFAN) coordinates this campaign.
- 58. He also briefed the Board on the upcoming mid-term replenishment review to be held in Geneva on 16 November, and hosted by the Swiss government. Dr. Benn he expressed his gratitude on behalf of the Global Fund to the Switzerland representatives sitting on the Board of the Global Fund.

59. Dr. Benn also mentioned the World Economic Forum summit in Davos in January 2013 as an important platform to galvanize the support of leaders from both the public and the private sector.

Agenda item 7: Update on Affordable Medicine Facility – malaria (AMFm)

60. As requested by the Private Sector delegation at the Twenty-Sixth Board Meeting, the SIIC Chair updated the Board on the AMFm initiative created to expand access to artemisinin-based combination therapy (ACTs)⁴. Phase 1, implemented in eight countries⁵ with funding from UNITAID, the governments of the United Kingdom and Canada, and the Bill & Melinda Gates Foundation and hosted by the Global Fund, is scheduled to come to an end on 31 December 2012.
61. Based on the results of an independent evaluation of Phase 1, complemented by countries' and partners' ACT usage data, the Board will decide on the future of the AMFm model at its meeting in November 2012. In light of falling malaria endemicity, evolving diagnosis and treatment recommendations, declining funding, and emerging resistance to artemisinin detected in South East Asia, any replacement model would aim mainly to ensure sustainable funding and provide flexibility to accommodate different country circumstances. To ensure a smooth transition, an estimated USD 171 million would be needed during 2013 for private sector treatment, while ACT requirements for the public sector will be covered by Global Fund grants.
62. The SIIC Chair introduced a Decision Point providing for funding of approximately USD 2.5 million in administrative services for the Global Fund to continue hosting AMFm at current capacity levels until December 2013, irrespective of the model of AMFm selected at the November Board Meeting.
63. In discussion, delegates stressed the importance of AMFm for malaria control in the "race against time" to contain emerging resistance, and welcomed the Global Fund's willingness to continue hosting AMFm for the extension period. They enquired about available continuation funding from partners to enable pilot countries to sustain past gains. The Partners delegate and Executive Director of UNITAID, Dr. Denis Broun, clarified that UNITAID has not received any funding requests for consideration at its December 2012 Board meeting.
64. Delegates agreed that a responsible broad-based governance structure should be established for the next phase of this initiative, which apart from its public health importance has huge implications for ACT suppliers and carries a reputational risk for the Global Fund.
65. The Board adopted Decision Point GF/B27/4.

Agenda item 8: Modification to the Policy on Ethics and Conflicts of Interest for Global Fund Institutions

66. The Chair of the Audit and Ethics Committee (AEC), Mr Graham Joscellyne, outlined the AEC's areas of work and proposed a series of revisions to the Policy on Ethics and Conflicts of Interest for Global Fund Institutions, and the Declaration of Interest

⁴ GF/B27/o6. Report to the Board on the AMFm

⁵ Cambodia, Ghana, Kenya, Madagascar, Niger, Nigeria, Tanzania (mainland and Zanzibar) and Uganda

Form. He informed the Board that these revisions were necessary in order to make the documents formally consistent with the governance reform decisions approved at the Twenty-Fifth Board Meeting.

67. In discussion, the delegate of the Developed Countries NGOs constituency enquired about an update on activities of the Office of the Inspector General (OIG). The AEC leadership clarified that a report on OIG activities would be presented to the November 2012 Board meeting, and that persons with access to the Global Fund Board Extranet can access reports of AEC meetings which reflect the committee's discussions on the subject.
68. The Board adopted Decision Point GF/B27/5.

Agenda item 9: Committee oversight of Annual Financial Audit

69. The AEC Chair and the FOPC Chair jointly presented a Decision Point for improved sharing of responsibilities between the two committees, with the FOPC overseeing financial management and operational matters, and the AEC overseeing audit and financial reporting. Amendments to the respective committee charters were proposed to transfer three specific responsibilities linked to financial accounting and reporting from the FOPC to the AEC in line with the committee members' expertise, namely:
- a. Overseeing the external auditors' work and related policies;
 - b. Recommending the audited annual financial statements to the Board for approval; and
 - c. Overseeing the Secretariat's response to audit findings.
70. In discussion the leadership of both committees jointly clarified that all financial reporting functions, except those related to audited annual financial statements, would be retained by the FOPC. They further pointed out that the AEC's obligation to refer matters to other committees according to their mandate would strengthen joint oversight. Delegates supported the proposed amendments to the charters.
71. One delegate suggested that to build trust in the Global Fund the AEC and the OIG should highlight examples of best practice in Global Fund governance. The AEC Chair responded that it is fundamental the work of the Global Fund on an ethical basis, but that best practice must be sustained and monitored in the long term, rather than labeled as exemplary at any one point in time. He then outlined the AEC's ongoing work to create an ethics compliance framework throughout the Global Fund.
72. The Board adopted Decision Point GF/B27/DP6.

Executive session

The Board met in Executive Session on the evening of the first day of the Board Meeting.

Wrap-up and Closure

73. In closing, the Board Chair briefly recapped the actions emanating from the meeting and reminded Board Members to take the Board governance survey before the deadline of the third week of September.

74. He congratulated the Board on agreeing the direction for a new funding model, and said that the hard work and debates of past months have led to an approach that the Board can be proud of, and that implementing countries can be assured that the Global Fund has a bright future. He ended by expressing his appreciation of the commitment of the Board and the Secretariat to the organization's cause.

Decision Points from the Twenty-Seventh Board Meeting

Decision Point GF/B27/DP1: Appointment of Rapporteur

Dr Palitha Mahipala from the South East Asia constituency is designated as rapporteur for the Twenty-Seventh Board Meeting.

Decision Point GF/B27/DP2: Approval of Agenda

The agenda for the Twenty-Seventh Board Meeting (GF/B27/1) is approved.

Decision Point GF/B27/DP3: Approval of Report of the Twenty-Sixth Board Meeting

The report of the Twenty-Sixth Board Meeting (GF/B27/12 Revision 1) is approved.

Decision Point GF/B27/DP4: Transitional Arrangements for the Affordable Medicines Facility - malaria

The Board refers to its earlier decision regarding the duration of Phase 1 of the Affordable Medicines Facility – malaria (“AMFm”) (GF/B22/DP13) and notes that Phase 1 will end on 31 December 2012.

The Board recognizes the importance of an orderly transition for those countries that are part of the Phase 1 pilot following its decision expected in November 2012 on whether to expand, accelerate, modify, terminate or suspend the AMFm business line. In order to support an orderly transition towards implementing the outcome of the November decision, the Global Fund will continue to host AMFm during a twelve-month transition period, and the Board will approve the details of the transition in November.

In order to support the transition period, the capacity of the Global Fund Secretariat to manage the activities of the AMFm Unit shall be extended by twelve months (until 31 December 2013). The Board requests that the Secretariat include the appropriate budgetary implications of the extended mandate of the AMFm in the 2013 Operating Expenses Budget.

The incremental budgetary implications of this decision point for the 2013 Operating Expenses Budget amount to approximately US\$2.5 million to allow the Secretariat to support an orderly transition following the Board's expected decision in November 2012.

Decision Point GF/B27/DP5: Revision to the Policy on Ethics and Conflict of Interest for Global Fund Institutions

The Board approves the revised Policy on Ethics and Conflict of Interest for Global Fund Institutions attached as Annex 1 of GF/B27/07 and the revised Declaration of Interest Form attached as Annex 2 of GF/B27/07 as updated to reflect the new Board Committee structure established with the Board's adoption of the Governance Reform at its Twenty-Fifth Meeting.

Decision Point GF/B27/DP6: Amendments to the Charters of Audit and Ethics Committee and the Finance and Operational Performance Committee

1. The Board decides to amend the Charters of the Audit and Ethics Committee (the "AEC") and the Finance and Operational Performance Committee (the "FOPC") to reallocate the advisory and oversight responsibilities related to the external audit of the Global Fund's annual financial statements between the AEC and FOPC, as set forth in Annexes 3 and 4 to GF/B27/07.
2. The AEC and FOPC Charters, as amended and set forth in Annexes 3 and 4 of GF/B27/07, shall be effective as of the date of this decision.

Decision Point GF/B27/7: Evolving the Funding Model

The Board:

1. Adopts in principle the elements of the new funding model detailed in Annex 1.
2. Requests the SIIC to recommend to the Board at its Twenty-Eighth Meeting the additional elements of the new funding model so as to allow for its implementation beginning in 2013, based on funds available.
3. Requests regular evaluation of the new funding model.
4. Requests the SIIC to continue the work of evolving the business model of the Global Fund beyond the new funding model, enabling the full implementation of the new strategy.

Annex 1 to Decision Point GF/B27/DP7

Elements of a New Funding Model

Overarching Principles:

The Global Fund is developing a new funding model, consistent with the Global Fund *Strategy*, to allow the Global Fund to invest strategically and ensure an appropriate focus is placed on countries with the highest disease burden and least ability to pay, while retaining the global reach of the Global Fund. The new model will aim to foster predictability of process and financing, align with country-level schedules and priorities, create efficiencies and simplify the grant making and approval process, and allow for a full expression of quality demand. The new model should enhance participation by all stakeholders, including civil society, and will support continued funding for most-at-risk populations.

Funding Framework:

1. **Establishment of Country Bands:** As part of its approval of the new funding model, the Board will agree on the principles for determining Country Bands (groups of countries) to ensure focus is placed on countries with the highest disease burden and least ability to pay.
2. **Allocation of Available Funding:** The Board will undertake, on a regular basis, a strategic allocation of resources to Country Bands, and this will serve as the primary pool for funding grants. In addition, based on recommendations from the SIIC, the Board may also choose to allocate up to ten percent of all available funding for programs, activities, and strategic investments not adequately accommodated through the distribution of funding to the Country Bands.
3. **Distribution of Funding by Disease Burden:** In the absence of a measure of financial need based on disease burden comparable across HIV, TB and Malaria, the Board will approve an allocation developed by the Secretariat and recommended by the SIIC, of the total available funding for each of the three diseases based on historical Global Fund funding levels. This method of allocation will be an interim one, and a transition to a measure that can be used to estimate disease burden and financial demand across all three diseases also approved by the Board, will be implemented within one year of this decision. This division by disease will inform the allocation of funding to bands only, and will be used as global targets for bands; applicants will have flexibility in deciding how to allocate financing between the three diseases for their individual country programs.
4. **Allocation to Country Bands:** The principles for determining the composition of and funding allocation to each Country Band will be developed by the Secretariat and recommended by the SIIC for approval by the Board at its November 2012 Meeting. These principles are expected, at a minimum, to be based on disease burden, and “ability to pay” (e.g. income level).

Allocations to Country Bands will be divided into two portions:

- i. A meaningful portion of funds by band will be provided through indicative funding ranges which will be used to support applicants’ prioritized needs through the submission of robust, ambitious requests based on national strategic plans or investment cases. Funding ranges will be developed in accordance with the formula used to calculate the Board-approved Country Band allocations, and qualitative criteria such as the availability of other

funding sources, absorptive capacity, past program performance, and ongoing funding needs to continue programs.

- ii. A portion of funds which will be used to establish a funding stream to incentivize high impact, well-performing programs and the submission of robust, ambitious requests based on national strategic plans or investment cases. The apportionment of funding to this stream will be substantial so as to ensure sufficient funds are available to motivate full expressions of quality demand.

5. **Guidance/Tools for Strategic Investments:** Countries, partners and the Secretariat should continue to use and develop tools to help applicants identify the highest impact interventions and technologies best suited to their country situation and most effective in reducing morbidity and mortality. The tools should also help applicants to identify strategic investments to strengthen health and community systems.

Access to Funding Process: The access to funding process utilized by each applicant will include the following elements:

6. **Country Dialogue based on National Strategic Plan or Investment Case:** As envisioned by the Global Fund *Strategy*, applicants⁶ will utilize an inclusive, iterative process when applying for funding (for a disease program, cross-cutting health system strengthening program or community system strengthening program). This iterative process will begin with a Country Dialogue in which the Global Fund takes part and which is based, where possible and appropriate, on a national strategic plan and be guided by applicable investment frameworks or other tools.

During the Country Dialogue, the Secretariat will communicate an indicative funding range to support the prioritized needs for each applicant, and the availability of the incentive funding stream.

Certain applicants, such as those seeking funding for regional or non-CCM programs, may find it necessary to utilize a more project focused application process.

7. **Concept Note:** Based on the country dialogue, applicants will develop a single Concept Note per disease, or consolidated aligned with country planning cycles, that presents a full expression of demand and gather essential information for the Secretariat and the Technical Review Panel (“TRP”) to assess the proposed program. This information will (a) provide a comprehensive description of the applicant’s prioritized funding needs and sources to fully support its national strategic plan or project and how it fits into a broader health strategy; (b) identify any funding gaps, including a description of any activities which are not supported by present funding; (c) specify the full amount of funding that the applicant is requesting from the Global Fund including a budget detailing the proposed use of such funding; and (d) describe how the Global Fund fits into and participates in inclusive country coordination.
8. **TRP Review:** After the completion of a Concept Note, the TRP will then review the Concept Note and will make a recommendation regarding the technical soundness and strategic focus of the elements of the proposed program. Each Concept Note will

⁶ Applicants will typically be Country Coordinating Mechanisms (“CCMs”) but could, for instance, also be regional coordinating mechanisms, regional organizations or other non-CCM applicants.

be assessed and its elements prioritized by the TRP according to a set of criteria to be established. The TRP will make a funding recommendation for (i) those program elements to be funded through the indicative funding range and (ii) those program elements in the applicant's submission above that range that are recommended for funding.

9. Determine Applicant Funding Amount:

- i. Within each Country Band, the Secretariat will determine, through a process to be defined, a final funding amount for each applicant based on available funding, the funding requested by the applicant, the TRP's recommendations, and qualitative criteria including, but not limited to, the availability of other funding sources, absorptive capacity, past program performance, willingness to pay, and ongoing funding needs to continue programs.
- ii. On a periodic basis, the Secretariat, based on the TRP assessment, will review and make funding recommendations on a collection of submissions of quality demand to be funded through the incentive funding stream.

10. Unfunded Quality Demand: Within a set period of time, any activities which the TRP determines to be technically sound but which cannot be supported through the resources available to a Country Band g will be recommended for funding as additional resources become available.

11. Board Approval: The Secretariat will work with applicants to transform the TRP funding recommendations into disbursement-ready grant agreements. Where there are material changes from the TRP recommendation, the Secretariat will seek further input from the TRP prior to finalizing a grant agreement. When finalized, the Board will approve proposed grant amounts.