



REPORT OF THE THIRD BOARD MEETING

Summary of Decision Points:

1. The Board is requested to approve the Report of the Third Board meeting.

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This report provides a summary of deliberations and a record of the decisions of the Third Meeting of the Global Fund Board held at the Varembe Conference Centre in Geneva, Switzerland, from Thursday 10 October to Friday 11 October 2002.

CONTENTS:	PAGE:
1. Introduction	4
2. Tribute to Charles Roy	4
3. Approval of the Agenda	4
4. Appointment of the Rapporteur	5
5. Approval of the Report of the 2 nd Board Meeting	5
6. Report of the Executive Director	6
7. Report of the Working Group on Governance	7
8. Report of the Working Group on Monitoring and Evaluation	16
9. Report of the Working Group on Proposals	19
10. Report of the Task Force on Procurement and Supply Management	22
-- Briefing Session on Fiduciary Arrangements	27
11. Building a Permanent Secretariat	29
12. Quasi-Intergovernmental Status	31
13. Budget and Workplan	32
14. Global Partnerships	33
15. Resource Mobilization	34
16. Calendar 2003	35
17. Closure	36
Annex 1: Report of the Executive Director	37
Annex 2: Committee Preference Expressed	43
Annex 3: Conflict of Interest Policy	45
Annex 4: Documents Policy	50

Agenda Item 1: Introduction and Welcome

1. The Chair declared the Third Board meeting open and welcomed the delegates, in particular Professor Adetokunbo Lucas (West and Central Africa representative) as a new Board member who was attending his first meeting since being appointed. The Chair then welcomed Professor Richard Feachem who was also attending his first Board meeting as Executive Director of the Fund.

2. The Chair recognized the accomplishments of the Fund and the Working Groups since the April meeting in New York. He informed the Board about recent trips he had made in the East and Southern African region, and how the needs on the ground remained urgent. The Chair also explained that he, the Vice-Chair and the Executive Director of the Board had visited Italy in the days preceding the Board meeting at the invitation of the Co-Chair of the Governance Working Group, Mr Spinedi. He noted that the disbursement process has been slow although progress has been made in four countries (Haiti, Tanzania, Ghana and Sri Lanka). He reminded the delegates of the great need in the recipient countries and the imperative to move quickly in disbursing the funds already allocated. He noted that at the pre-meeting briefing on Round 2 submissions it was indicated that the future resource requirements for the Fund could reach USD 5.4 billion. The main challenge of the Board at this meeting, he said, would be to address the disbursement issues and to recognise the need for the mobilization of additional resources to meet future requests for funding.

Agenda Item 2: Tribute to Charles Roy

1. The Chair requested that the Board observe a moment of silence to pay tribute to Dr Charles Roy, the Alternate Board Member for the NGO's representing Communities of People Living with HIV/AIDS, Tuberculosis and Malaria, who passed away on the 24th of August 2002. He invited Ms. Philippa Lawson, Board member for the delegation, to speak in honour of Charles. Ms Lawson expressed her shock and sadness at the sudden passing of her colleague and friend and reminded delegates that even with the best access to healthcare HIV/AIDS is still deadly and there is a long struggle ahead to combat the disease.

Agenda Item 3: Approval of Agenda

1. The Secretariat introduced the agenda and asked for any comments.

2. A request was made for the following additional topics to be discussed during the meeting: communication, instituting a committee on resource mobilization with a linkage to the communication strategy, and a discussion on the functioning of CCMs. Clarification was sought on the process for Board members to introduce items to the agenda.

3. The Board adopted the meeting agenda with the provision that the topic on communication be included under the Global Partnerships Agenda item and CCM issues be discussed during the item on the Report of the Proposals Working Group. The issue of introducing agenda topics will be addressed under the item on the Report of the Governance Working Group.

Agenda Item 4: Appointment of Rapporteur

1. The Chair thanked the Private Sector representative, Mr Rajat Gupta, for serving as Rapporteur during the Second Board Meeting and proposed Dr Christoph Benn, Member for the Developed Country NGOs, as Rapporteur for the Third Board Meeting. This proposal was unanimously accepted.

Agenda Item 5: Approval of Report of 2nd Board Meeting

Introduction:

1. The Report of the Second Board Meeting (document GF/B3/3) was introduced and proposed for approval.

Summary of discussions:

2. A request was made by the delegates to make the following changes and amendments:

1. Acknowledge the fact that the West and Central Africa delegate's appointment was only effective from 1 May, 2002 and that therefore he could not have attended the April Board meeting. .
2. Incorporate reference to the speeches of the Western Pacific and South East Asia Constituencies at the UN Session.
3. Correct the name of the delegation from the Gates Foundation to Private Foundations.

Decisions:

1. The Report of the 2nd Meeting of the Board held 22-24 April 2002 was approved, noting the following correction:

"Dr Kiyonga, Chair of the Board, opened the session and thanked the United Nations Secretary-General for hosting The Global Fund session and for his ongoing support to the Fund. The Secretary-General, Mr. Kofi Annan, gave a speech to welcome the Fund's Board members, delegates and representatives and to reaffirm the global commitment to fight HIV/AIDS, tuberculosis, and malaria. Following his remarks, comments were made by the following delegates: Mr. Rajat Gupta (Private Sector), Minister of Health Girolamo Sirchia (Italy), Dr. Huang Jiefu (Vice-Minister, Ministry of Health, China) Mr. Gordon Conway (Rockefeller Foundation), Secretary Tommy Thompson (United States), Mr. John Junor (Jamaica), Ms Milly Katana (NGOs), and a representative of the South East Asia Region."

2. The references to the delegation of the Gates Foundation should be changed to Private Foundations. In addition it should be noted that the section on new Board Members is inaccurate since the appointment of Professor Lucas as the Board Member for West and Central Africa was only officially made on 1 May 2002, after the Board meeting.
3. The current practice will continue that minutes will be distributed via email to Board Members for review and comment. Thereafter a revised version will be sent by email to Board Members. These final minutes will be ratified by the Board at their next meeting. The fact of formally ratifying the minutes at a Board meeting does not preclude action being taken on those

minutes between Board meetings. Any changes to this process should be the subject of a formal Board decision.

4. It was emphasized that should any changes be requested to the process for approval of the draft Board minutes, these should be made while being mindful of not delaying the work of the Secretariat moving forward.

Agenda Item 6: Report of the Executive Director

Introduction:

1. The newly appointed Executive Director, Professor Richard Feachem began his opening address by thanking the Board for its support and confidence¹. He also thanked his predecessors for their contributions to the establishment of the Fund. Professor Feachem then emphasized the Global Fund's mandate to find innovative ways to fight HIV/AIDS, TB and Malaria and gave examples from the first round. He further emphasized that the Global Fund will learn and adapt as progress is made, and that its greatest challenge is to begin moving money quickly, efficiently and accountably to populations in need. He outlined the Secretariat's progress according to key priorities identified for the Global Fund:

1. Creating a disbursement architecture that gets money to those who can spend it effectively;
2. Building a first class Secretariat to execute the Fund's operations;
3. Creating a policy framework that instructs and guides our operations.

2. Professor Feachem presented an update on the status of the first round of proposals. The four "fast track countries" (Haiti, Ghana, Sri Lanka, Tanzania) were in advanced stages of grant negotiations, and would be ready for disbursements in the following weeks.

3. Furthermore, the Executive Director informed the Board that both recruitment for the permanent Secretariat and the move to permanent offices were progressing well. He welcomed the new senior staff members recently appointed: Tom Solender, Director of External Relations, Arletty Pinel, Fund Portfolio Director for Latin America & E. Europe, Vinand Nantulya, Senior Health Advisor and Dee Jay Mailer, Chief Operating Officer.

Summary of discussions:

4. The Board welcomed the Executive Director in his new position and expressed its appreciation for the progress made under his leadership.

5. The Board reiterated the Fund's mandate to remain a financial mechanism intended to provide additional funds to fight the three diseases linked to and strengthening existing programmes and development processes and thus contribute to achieving the millennium development goals. It stressed that the Fund would be judged on whether it was supporting or undermining existing country-led development plans and processes. The picture to date was mixed. In addition, the Board emphasized the challenges facing the Fund, including development of a sound fiduciary architecture, clarification of roles of partners and CCMs, a focus on reporting results to ensure future funding, and seeking a rapid release of funds to target populations while assuring adequate accountability.

¹ Full text of the Executive Director's Report is attached as Annex 1.

6. Professor Feachem ended the session by acknowledging the Board's comments and drew the Board's attention to the rapid development of the Global Fund as an institution as demonstrated by the high quality of the second round of proposals. He also recognized the excellent work being done on the front line by the partners and countries as well as by the Secretariat interim staff. Finally, he emphasized the importance operate on the basis of trust and mutual good faith. We must put political concerns second to a professional approach that is focused on the end objective: impact on real people living with and affected by these diseases in communities in urgent need.

Agenda Item 7: Report of the Working Group on Governance

Introduction:

1. The co-chairs of the Governance Working Group (Mr Claudio Spinedi, Italy and Mr Rajat Gupta, Private Sector) presented their report (GF/B3/7a) and introduced the recommended decision points. The Group's recommendations focused on the working of the Board itself, including the relationship between the Board, the Secretariat and the TRP. The deliberations were guided by the Global Fund's Framework Document, the By-laws, and already approved Board operating procedures. The Working Group presented unanimous recommendations, near-unanimous recommendations, and on-balance recommendations with alternatives for decision by the Board. Recommendations were structured into four cross-cutting sections related to the Board's role, structure, processes and policies.

Summary of discussions:

2. Given the time available, it was decided to limit discussions to the key issues required to ensure efficient operations until the next Board meeting. Several issues will be further developed before January 2003, and subsequently presented for decision at the next Board meeting.

3. It was suggested that more time would be needed to study the recommendations from the Working Group before reaching decisions. The Secretariat, with support from several delegations, stressed the urgent need for the Board to take decisions on Committees and other crucial issues, while recognizing that some important topics would require further work.

Governance structure:

4. Delegations stressed the need for an open and transparent governance structure, with clear divisions of responsibilities between different levels of governance including the Board, the Secretariat and Committees. Delegations also pointed out the need for the Board to delegate certain decisions between Board meetings to the Chair and Vice-Chair, in consultation with the Executive Director, for efficiency. However, it was noted that any such decisions taken must be presented to the Board, recorded and endorsed. At the request of the Board, and to address concerns regarding this delegation of authority, it was decided to commission a separate legal opinion to ensure that the by-laws allow for appropriate decision-making authority to be granted to the Chair and Vice-Chair between Board meetings. If this was not the case, then the relevant By-Laws and Board Operating Procedures may require revision.

5. Board members stressed the need for a strong Secretariat and urged that Board meetings should be focused on substantive matters, cautioning that micromanagement by the Board may lead to Secretariat paralysis. Delegations

suggested that communications by the Secretariat to the Board needed strengthening to ensure openness and transparency in important operational decisions taken by the Secretariat between Board meetings. Concern was expressed about any limitations to the topics that Board members might wish to bring up during meetings. In response to concerns raised by the Board, it was confirmed that the Chair of the Board would be able to vote once only.

Committees:

6. Delegations expressed skepticism regarding the establishment of permanent Committees, and voiced a preference for the flexibility of temporary Committees with specific terms of reference. There was also support for the need to establish permanent Committees. It was agreed that all Committees would be established on a temporary basis, to be briefly reviewed at every Board meeting.

7. The Secretariat, supported by Board members, stressed the need to clearly divide work between the Committees and the on-going functions of the Secretariat. Delegations noted that too many Committees would both paralyze work and be expensive. After discussions on the mandates of different potential Committees, it was agreed to institute the following four Committees:

1. Monitoring, Evaluation, Finance and Audit (including programmatic, financial management and audit);
2. Portfolio Management and Procurement (proposals and grant management, and procurement, including quality and supply management);
3. Resource Mobilization (resource needs, resource mobilization strategy and related communication strategy);
4. Governance and Partnership (workings of and processes between the Board, the Secretariat, the TRP, the CCM and other related entities, as well as issues of assessing the validity and improving the capacity of CCMs).

8. Delegations wanted to extend the proposed maximum number of committee members from 9 to 12. It was agreed that each Board member's constituency should participate in at least one but no more than three committees. Committees are to be free to decide on their needs for expert inputs. Each Board member was requested to express a preference for membership in up to three Committees and whether it was interested in chairing a committee. Following the compiling of this information, the Chair would propose a membership list, which would be finalized after additional input from Board members. The Board agreed that the Chair and Vice Chair should each come from a different group (donor and recipient). The initial proposed chairs were as follows:

- Governance and Partnership : Italy
- Resource Mobilization: East and Southern Africa
- Portfolio Management and Procurement: South East Asia
- Monitoring, Evaluation, Finance and Audit: Point Seven/USA

The Board Members expressed their preferences for Committee membership as indicated in Annex 2.

9. The Board stressed the need to ensure that all eligible participants would be able to attend meetings and that no delegate should be denied entry to a country where a meeting was to be held.

Conflict of interest:

10. The Board adopted the proposed Conflict of Interest Policy, subject to final legal review. Delegations noted that the decision text, and the proposed policy, was sufficient in its coverage of individual conflicts but that it should be stronger in its coverage of institutional conflicts of interest. It was noted that the policy should be revisited at the January Board meeting for potential refinement on this issue. Delegations noted that the proposed guidelines for conflicts of interest should apply to all members of delegations and the TRP, the Secretariat, any members of Committees or Task Forces and should differentiate between personal and institutional conflicts of interest. The operational difficulties of applying the policy to all members of delegations, given the rotating nature of some delegation members, were noted. A more comprehensive discussion of institutional conflict of interest should be pursued at the next Board meeting. Questions regarding the use of competitive bidding processes to contract McKinsey and the currently confirmed LFAs were raised by some delegations. It was emphasized that transparent procedures should be used in future which result in cost-effective selection of LFAs and other contractors. It was explained that a competitive process had been followed in the contracting of McKinsey which included a review of pricing and pro bono offers. The Secretariat promised to make relevant documents available to interested Board members.

Disclosure Policy

11. The Board adopted the proposed Documents Policy, subject to final legal review. Board members noted that the Fund was built on the principle of openness and transparency in its operations, and that any decisions relating to its operations and procedures should incorporate this principle. Nevertheless, the Board recognized that certain restrictions on disclosures, such as restricting disclosure of deliberations on pending, pre-decisional issues, were necessary to ensure the effective operations of the Fund.

Other issues:

12. During the general discussion other issues arose. Delegations expressed concerns related to the functioning of constituencies, related operational costs, and the selection of focal countries to represent constituencies. It was decided that best practices for constituency operations would be presented to the next Board meeting to enable some constituencies to benefit from lessons learnt from others. While the Board can provide guidance and principles, each constituency will be responsible for its own organization and operation.

13. Delegations expressed concern about the travel costs related to class of travel to be reimbursed by the Global Fund for certain delegations to attend meetings. The Secretariat clarified that non-staff members follow WHO rules for travel, including specially negotiated airfares. It was decided to postpone a decision on delegation travel policies for the Global Fund until the next Board meeting, when a cost analysis would be presented by the Secretariat.

14. It was pointed out that according to the by-laws, there is a requirement to hold a Partnership Forum meeting every second year. The Secretariat confirmed

that the first such meeting would be held in 2003 and that rules and procedures for this event would be developed by the Governance and Partnership Committee for consideration by the Fourth Board Meeting.

15. According to the above discussions, further work would include the following:

1. Analysis of best practices to provide guidelines for constituency operations;
2. The financial implications of decisions and recommendations related to travel and meeting policies;
3. Refinement of the conflict of interest definition;
4. Proposals for holding the first Partnership Forum in 2003.

Decisions:

Note: The Sections referenced in the titles of each decision point refer to the relevant section of the Report of the Working Group on Governance (GF/B3/7a).

The Global Fund Board decided on the following measures regarding Governance:

Part A: Board role

Section 1.1: Scope of Board role

1. The Board reconfirms its role as stated in Article 14 of the Bylaws.

Part B: Board structure

Section 2.1: Committee work

1. Committees will be established according to need with defined terms of reference and deliverables.
2. All committees will be reviewed at each Board meeting for decisions on continuation and/or modification.
3. There will initially be four (4) committees:

a) **Monitoring, Evaluation, Finance and Audit:** Reviewing Fund progress with a view to managing performance including:

- financial budget oversight and the mechanisms for accomplishing it (e.g. external audit);
- updates on programmatic progress in beneficiary countries, including its impact on reducing disease burden;
- results based disbursement and overall performance of the Fund at a global level.

b) **Portfolio Management and Procurement:**

- includes previous and ongoing work of the Proposals Working Group such as TRP review guidelines;
- the proposals appeal process (recourse mechanism);
- policies related to grants management;
- policies on procurement and supply management.

c) **Resource Mobilization:**

- supporting the development of projections of resource needs;
- supporting the development of strategies to achieve mobilization targets, especially through cooperative work of Board members and constituencies.

d) **Governance and Partnerships:**

- focus on making the bodies of the Fund work effectively, including Board processes and structure;
- personnel policies;
- policies on interactions among Board, TRP, Secretariat and Partnership Forum;
- CCM partnership (including a tool on minimum standards of "good practice" for CCM processes, building on experiences from the first two rounds and partner organizations, and evaluating the CCM process and practices, with this work beginning immediately) and policies related to expanding partnerships at the global level.

4. In consultation with the Executive Director, the committees should develop Terms of Reference based on the above outlines and circulate these to the Board for approval.

Section 2.3.1: Number of committee chairs

1. There should be a balance between chairs from developed and developing countries.
2. There should be one chair per committee.
3. The committee chair shall appoint a vice chair of the committee.

Section 2.3.2: Selection of committee chairs

1. Committee chairs will preferably be either Board members or alternates.
2. The Board Chair/Vice Chair will select the committee chairs and submit these names to the full Board for approval.
3. The Board will also approve any vice chairs who are appointed by committee chairs.

Section 2.3.3: Term of committee chairs

1. The Board Chair/Vice Chair will be able to designate or replace committee chairs when necessary as, for example, when a committee chair is no longer available, or is not adequately fulfilling the role.
2. The Board will approve the change of any committee chair.

Section 2.3.4: Size of committees

1. Committees will have a minimum of six and a maximum of twelve members.

Section 2.3.5: Selection of constituencies for committee seats

1. The Board Chair/Vice Chair, in consultation with the committee chair and the ED, will propose the constituencies to be included on each committee, based on applications made by constituencies for committee seats, for full Board approval.

2. There will be no more than one member per constituency on any single committee.
3. Each constituency may participate in a maximum of three committees. Where demand for committee seats exceeds the maximum, priority will be given to ensuring the balance of donors, recipient countries, NGOs, private sector and foundations.

Section 2.3.6: Selection of individual committee members

1. Constituencies will designate an individual to represent them on a given committee.
2. While it is preferable that constituencies choose Board members or alternates to serve on committees, they are free to choose any individual to represent them.

Section 2.3.7: Substitution policy

1. While substitutes should be discouraged, committee members will be able to send substitutes as an exception without the approval of the committee chair.

Section 2.3.8: Attendance at committee meetings

1. Only committee members (or their substitute) will attend committee meetings, unless other individuals are invited to do so by the committee chair.

Section 2.3.9: Use of external experts

1. Expert input should be provided at the discretion of committees and in consultation with the Executive Director and may take the form of a panel of independent experts.
2. The committee chair and vice chair, in conjunction with the ED, will then choose the panel from the list of nominations submitted by the committee. The Board will not need to approve the specific list of individuals selected. These independent experts will be subject to the agreed conflict of interest provisions.
3. When Board committees have designated an expert panel, the expert panel will be able to meet with the full committee, or (at the committee's discretion) independently, with only the committee chair and/or vice-chair); in either case, Board/constituency members who are not members of the committee will not attend these expert panel meetings, unless invited to do so by the committee.
4. The committee will provide terms of reference for such panels.

Section 5: Participating in Board Discussions

Section 5.1: Policy on Alternate Board Members

1. The status quo will be retained, namely that constituencies will be able to change the alternate as needed and, as stated in the Board Operating Procedures, should confirm the appointment preferably at least two weeks prior to a scheduled Board meeting.
2. If abused the Board should revisit this policy.

Section 5.2: Taking the floor

1. Other members of a delegation shall only have the right to speak or participate directly in the deliberations of the Board when doing so at the request of and in place of the Board Member of their delegation and the Chair should be informed

of this in advance. Only one individual from a constituency, including the Board Members/Alternate, may speak per agenda item. Alternate Members may speak during debates or cast votes, when replacing the Board Member.

Section 5.3: Extra Seat for the Board Chair/Vice Chair's constituency

1. While the Board Chair/Vice Chair is presiding, his/her alternate (or any member of his/her delegation as stipulated by the Board Chair/Vice Chair) from the Board Chair/Vice Chair's constituency will be permitted to participate in the discussion.
2. However, the Board Chair/Vice Chair will retain the single vote of the constituency.

Section 8: Delegations

Section 8.1 – 8.2: Number of Delegates allowed inside the Board room and inside the video transmission room

1. The status quo will be retained, namely that five members (the Board member and four others) of each constituency should be allowed in the Board meeting room.
2. There will be video transmission of Board proceedings to a controlled-access room occupied by the additional delegation and Secretariat members who do not have access to the main Board meeting room..

Part C: Board Processes

Section 9: Board meetings, deliberation and decision-making

Section 9.1: Duration/Frequency of meetings

1. The Board will have three regular in-person meetings per year, two to be held in Geneva and one to be held in a recipient country (with optional visits, as appropriate, to programs supported by the Global Fund before or after the meeting).
2. The location of the recipient country will rotate appropriately between regions.
3. Meetings will generally be kept to two days in length.
4. Committees will normally meet before and/or after the Board meetings, at the discretion of the committee chair and depending on their program of work.
5. When deciding on the location of meetings, due consideration will be given to ensuring that delegations are not faced with any difficulties in visiting the selected country, especially as regards visa requirements.

Section 9.2: Decision Making between meetings

1. The Board Chair/Vice Chair are empowered to make decisions on matters within their discretion between Board meetings . These decisions will be presented to the Board at its next meeting. (Legal advice will be sought on whether the implementation of this decision requires a change to the By-Laws).
2. The Board will review and may modify or reverse these decisions during the next Board meeting.
3. If, in exceptional circumstances, the ED and Board Chair/Vice Chair determine that a pending issue requires Board input, and the issue cannot wait until the next Board meeting, the Board Chair/Vice Chair will consult with Board members. (Such Board input will, wherever possible, take the form of consultations that

inform the decision of the Board Chair/Vice Chair, rather than formal Board decisions).

Section 9.3: Emergency Board meetings

1. The Board Chair/Vice Chair will be able to call an in-person emergency Board meeting, in extraordinary circumstances only (e.g. major financial, legal and/or ethical issues, loss of confidence in leadership), and only with support of at least one-third of the members of the Board.
2. Any Board member, or the ED, will be able to suggest the need for an emergency meeting to the Board Chair/Vice Chair.
3. The Board Chair/Vice Chair will have reasonable discretion, as required under the circumstances, to change the normal procedural guidelines for Board meetings for an emergency Board meetings (e.g., provision for delegations, translation services, etc.).

Section 9.4: Agenda setting

1. The Secretariat and Board Chair/Vice Chair will develop the Board meeting agenda, which will be approved by the Board at the beginning of each meeting.

Section 9.5: Pre-Reading material

1. The Secretariat will prepare synthesized options, recommendations, and supporting rationale (maximum of ten to fifteen pages per agenda item) and distribute it three weeks in advance of the Board meeting.
2. Items requiring decision will be clearly identified and prioritized.

Section 9.6: Procedural rules

1. The Governance and Partnership Committee should develop a few basic, enforceable procedural rules for consideration by the Board at the January Board meeting.

Part D: Board policies

Section 14: Conflict of Interest

1. The Board will recognize and accept that all constituencies have interests and that these may lead to potential, actual and perceived conflicts of interest. Article 14 of the By-Laws makes provision for a policy on this matter to be established.
2. To ensure fairness in the Board's decision-making and to protect the Fund's interests, the Board adopts the Policy on Ethics and Conflict of Interest², which applies to all Board members and other interested persons (including, but not limited to, alternates, members of any Committee, expert panel, Technical Review Panel, and employees of the Secretariat including the Executive Director).
3. This policy is based on clear definitions of potential areas of conflict, a duty to disclose, and a mechanism for managing conflicts as they arise.
4. The Policy on Ethics and Conflict of Interest is adopted subject to refinement as appropriate based on legal review, and applies to all activities from here on including consideration of Round 2 proposals. This policy currently applies to both personal and institutional conflicts. Subsequent review should focus attention on institutional conflicts, and the differentiation between personal and institutional

² Attached as Annex 3.

conflicts of interest. A more comprehensive consideration of institutional conflict of interest should be presented at the January Board meeting.

Section 15: Transparency

Section 15.1. Documents

1. The Board adopts The Global Fund Documents Policy³, subject to refinement as appropriate based on legal review.
2. As outlined in the policy, the Board will operate under a principle of maximum transparency and openness; subject to the restrictions outlined in the policy, the Board will make public all documents and records.
3. As outlined in the policy, the Fund and the Board will not release any document or otherwise disclose information which is for discussion ("deliberative") or "pre-decisional" in order to encourage dialogue among Board members and other units of the Fund.
4. As outlined in the policy, deliberative information will only be shared with the members of constituencies who need to provide input to the Board member.
5. As outlined in the policy, all Board decisions, actions, or other final statements will be made public under the general principle of openness and transparency.
6. As outlined in the policy, in extremely limited and sensitive circumstances, such as personnel actions, business proprietary information, or resource mobilization and other strategies, the Fund will not release information to the public.

Other decisions:

1. With reference to Section 2.3.2, the Board decided to appoint the following constituencies to Chair the four Committees:
 - Governance and Partnership : Italy
 - Resource Mobilization: East and Southern Africa
 - Portfolio Management and Procurement: South East Asia
 - Monitoring, Evaluation, Finance and Audit: Point Seven or USA (to be decided)

Individual nominees from these constituencies will be submitted to the Chair for review and submission to the Board for approval.

2. Other unresolved items on Governance will be discussed at the January meeting, including Fiduciary responsibility; New Donor Representation; the Executive Director as a non-voting, ex-officio member of the Board; Terms and Term Limits; Board meetings, deliberation and decision-making; Communications; Constituency Operations; Financial Arrangements; Development of common understanding and trust. In particular the Board requested the following information to be provided:

- Analysis of best practices to provide guidelines for constituency operations;
- The financial implications of decisions and recommendations related to travel and meeting policies;
- Refinement of the conflict of interest definition;

³ Attached as Annex 4

- Proposals for holding the first Partnership Forum in 2003.

Agenda Item 8: Report of the Monitoring and Evaluation Working Group

Introduction:

1. A representative of the Monitoring and Evaluation working group (from the delegation of the UK, Canada and Switzerland) presented the report of the group (GF/B3/7b), updated the Board on progress made and presented the monitoring and evaluation model for both the country and global levels. The model aims to: build on, strengthen, and use existing systems; minimize additional reporting burden on recipients; empower country-level partners; and provide transparency on results achieved through agreement on defined indicators and milestones (both programmatic and financial).

2. Most notably, information from monitoring and evaluation systems would work hand-in-hand with information from financial systems with the aim of implementing a system of results-based disbursement. The working group suggested that the Principal Recipient(s), with oversight by the CCM (under the scrutiny of the Local Fund Agent) would be responsible for monitoring and evaluation at country level, while a Committee of the Board or an independent secretariat would review the global efforts and provide reports and recommendations to the Board.

3. Board discussions focused on monitoring and evaluation principles, the importance of coordinating efforts with existing programs and partners, the issue of how best to assure independence, how to connect programmatic and financial accountability, and staff support to the ME Committee.

Summary of discussions:

Broad Principles:

4. The Board was in general agreement that monitoring and evaluation should focus on the health impact among beneficiaries from different socio-economic groups and ensure that the Fund's investments are equitable and benefiting poorer populations. It noted that the Fund should draw on agreements between existing partners on systems, indicators and process (e.g. DHS studies which gather information on health impact and household level and socio-economic status; and recent agreements to standardize indicators and methodologies for the three diseases) and build on this experience to assess recipient performance. It was also generally agreed that intermediate, process, and proxy indicators be developed urgently to enable tracking of progress in the short to medium term before impacts results are available. Further, the Fund should cooperate with other donor organizations, and consider the synergies with other programmes (e.g. SWAPs and PRSPs). Board members underlined the importance of being aligned with ongoing processes, of multiplier effects, of bringing additionality, and of achieving effective impact at country level.

Overall Framework:

5. The Board endorsed the importance of having independent monitoring and evaluation at both country and global levels and expressed concerns over potential conflict of interest arising from the proposed model. Accordingly, it emphasized the need to develop communication procedures for the Monitoring, Evaluation, Finance and Audit (M.E.F.A.) Committee and to define the role of the Secretariat in supporting the committee. In addition, the Board recognized the critical importance of the Fund's ability to collect and report on results and impact data to enhance the creditability of the Fund and ensure that additional funding is made available.

Monitoring and Evaluation at Country Level:

6. Board members generally agreed that monitoring and evaluation is a fundamental component that requires development of systems at country level. However, some delegates advised the Fund not to place a heavy burden on the PRs and CCMs by demanding specific, additional reporting requirements. The Board instructed the Secretariat to look into a clearer definition of the roles of CCMs, PRs, and LFAs, as well as the capacity of LFAs to validate and monitor programs, and the process for the selection of appropriate auditors. The Board stressed the need to keep the structure at country level as light as possible, while still assuring appropriate accountability.

Quality Assurance and Expectations for Partners:

7. The Board stressed the importance of monitoring and evaluation to be in line with harmonization efforts and with other donor organizations efforts at local level. Further, special attention should be given to the impact of procurement on local management capacity, and the long term impact of fund injection. Results, as reported by PRs, will eventually be tied to continuing disbursement. This makes an assessment of the quality of data reported extremely important. Partner capacity to assist in the generation of quality data, and review and oversight by the CCM will be critical to quality assurance.

Responsibility for Monitoring and Evaluation:

8. In recognizing the importance of monitoring and evaluation to the credibility and long-term viability of the Fund, Board members expressed support for the Secretariat to strengthen this internal expertise as long as it remained within the Fund mandate to be a lean financial institution with limited staff capacity, and no operational responsibility. These experts must have country-level experience.

9. Board members expressed reservations regarding the need for the Secretariat to be involved in monitoring and evaluation efforts. A small independent evaluation unit was proposed, to be established to provide guidance directly to the Board. Although some members supported this proposal, many others were concerned that an independent monitoring and evaluation unit would detract from the Fund's fundamental principles. At the same time they acknowledged monitoring and evaluation as a key component for the disbursement architecture.

10. The Secretariat concurred with the Board's request to have independent and periodic audits both at country and global levels. However, the importance of integrating the local monitoring and evaluation function with the financial monitoring function that the Secretariat is mandated to perform, was stressed.

Finally, the Secretariat cautioned against creating an independent monitoring and evaluation unit, which would place additional coordination burdens on the Secretariat. Instead, truly independent external evaluations and audits were recommended, to be conducted in a timely and efficient manner, according to a schedule to be developed by the Committee. The issue of setting up an independent evaluation unit will be revisited by the M.E.F.A. Committee.

Decisions:

1. The Global Fund Board decided to adopt the decision points requested by the Working Group on Monitoring and Evaluation and ask the M.E.F.A Committee to report back to the Board on progress on their implementation at the meeting of the Board in January, 2003. The Board:

- a) Instructed the Secretariat to prepare annual action plans for monitoring and evaluation of the Global Fund's performance, and instruct the M.E.F.A. Committee to present a plan appropriate to its mandate as agreed by the Board;
- b) Endorsed the principles of transparency, consultation with stakeholders and coordination of monitoring and evaluation efforts to facilitate optimal use of existing partner capacity, while satisfying the needs of major donors and their internal auditing requirements;
- c) Reaffirmed the importance of linking results to an appropriate disbursement schedule and annual results reviews, and instruct the Secretariat to include results-reporting templates in grant agreements with PRs, ensuring PRs clearly understand the concept of Results Based Disbursement (RBD);
- d) Instructed the Secretariat to operationalize an approach for results reviews, which includes a provision for annual results reviews, review criteria, and a strengthening of information systems making this reporting feasible;
- e) Instructed the Secretariat to clarify the role and responsibilities of CCMs, PRs, LFAs and the Fund Secretariat regarding monitoring and reporting within the context of the fiduciary architecture of the Global Fund;
- f) Instructed the Secretariat to define quality assurance in the context of the Fund's mission, and identify mechanisms for ensuring data quality;
- g) Endorsed the need to set budgetary parameters for monitoring and evaluation at the Fund level and to reconfirm the need for grant proposals to include budgets for monitoring and evaluation.

2. The Board directs the M.E.F.A. Committee to review the recommendation that there be an independent secretariat in the field of monitoring and evaluation and to report on this matter to the January, 2003 Board meeting.

3. The Board directs the M.E.F.A. Committee to consider the need for periodic focused external audits of the performance of the Global Fund, or aspects of the Global Fund, and to bring recommendations to the Board in January 2003.

Agenda Item 9: Report of the Working Group on Proposals

Introduction:

1. The Co-Chairs of the Working Group (France and Thailand) introduced their report (GF/B3/7c) by explaining that, as a follow-up to the April meeting, roles and responsibilities of the TRP, the review process and board relations were discussed. The Chair thanked the Secretariat for the technical support provided and the members of the Working Group on Proposals, who reached consensus views. They also recognized the participation of the TRP Chair (Prof. Michel Kazatchkine) in the Working Group to provide technical input.

2. The Co-Chairs of the Working Group introduced the topic by outlining key changes that have been made in order to streamline the proposal process and the role of the TRP. Based on lessons learned in Round 1, some key considerations include the necessity to provide:

- Adequate contextual information to the TRP to develop appropriate recommendations;
- Adequate and more standardized information from the TRP to the Board for decision-making process;
- Being mindful not to overburden countries with the application process;
- Ensuring that Global Fund programs fit with existing efforts, are innovative, and that global Fund resources are additional;
- Obtaining involvement from CCM members and partners in preparing applications; and,
- Assessing the strength, validity, inclusiveness, and potential of CCMs.

Summary of discussions:

TRP and Board Relations:

3. The Board agreed that the TRP review process has been positive and responsive, having drawn on concrete lessons since the April Board meeting. Board members expressed preferences for projects to be classified in four categories, as recommended by the working group, namely,

- Category 1: Recommended for funding with no or minor modifications
- Category 2: Recommended for funding provided clarifications are met within a limited timeframe (e.g. 6 weeks)
- Category 3: Not recommended for funding in its present form but strongly encouraged to resubmit
- Category 4: Not recommended for funding.

The Board also requested the Secretariat to:

- Continue to provide guidance to improve future proposals through modifications in calls for proposals and forms based on experience after each round;
- Provide staff support to the TRP in its role of selecting and recommending sound proposals for Board decision;
- Assist the TRP to provide constructive feedback to countries focusing on the content of their proposals.

TRP Composition and Selection:

4. Concerns were raised that, whilst having performed well in difficult circumstances, the current TRP did not have sufficient understanding or experience of development processes such as SWAPs, nor sufficient capacity to make judgements on feasibility, absorption capacity and other important non-technical criteria within its mandate. It also lacked private sector expertise and understanding of macro-economic issues. Board members also reaffirmed the earlier decision that the existing TRP would serve for only two rounds, and that UN staff acting in their personal capacities should be eligible to serve on the new TRP. It was noted that the current TRP composition did not fully address equitable gender representation. In addition, Board approval to legitimize the expansion of TRP members was requested. It was suggested that the TRP expand by 4 or 6 members, rather than the proposed 5 members, in order to have an odd number of members to address voting needs.

Country Support for Technical Assistance:

5. Board delegates representing development partners expressed their continued support for providing assistance to CCMs in drafting proposals, and in verifying data, conducting assessments and, and providing input to supporting the TRP review process. Technical assistance was also offered by NGOs working in partnership with governments at national and international levels.

CCM Working Relationships with Civil Society:

6. In general, the Board felt that although the level of involvement from civil society and private sector in CCMs had improved, there were still considerable difficulties for NGOs to participate effectively in CCMs. Moreover, Board representatives from civil society expressed the following concerns:

- Lack of representative partnerships;
- Late involvement of civil society in the proposal development phase;
- Exclusion of NGOs in WHO regional consultation process related to the Global Fund process;
- Lack of transparency of CCMs at country level;
- Uneven status among NGOs and other CCM members;
- Lack of guidelines or mechanisms for non-CCM proposals and for "well functioning" CCMs;
- Lack of clarity on the role of CCM members during the implementation phase.

7. The Secretariat was requested to better clarify roles and responsibilities of CCMs during the pre-approval as well as the implementation phases in order to foster strengthened civil society involvement.

Other issues:

8. Board members expressed concerns regarding the need for the TRP to consider additionality of Global Fund resources at country level and the absorptive capacity of recipient countries to adequately implement proposals for scale up. The technical quality of proposals needs to be matched with an assessment of the relative need from a poverty perspective. The work developed by the Interim Secretariat in terms of developing a tool for assessing both the quality dimension as well as the needs dimension should continue. Board members emphasized the

importance for the Fund to consider broader developmental objectives (e.g. addressing poverty and MDGs), to be aligned with the harmonization efforts, and to work in partnership with bilateral and multilateral agencies. Finally, Board members expressed the need to strengthen local systems and build local capacity in order to facilitate implementation and ensure sustainability.

Decisions:

The Board decided to adopt the report and recommendations of the Working Group on Proposals. The decision points are to:

1. Ratify the expansion of the TRP from 17 to 22 members on an experimental basis.
2. Revise the TRP review approach so that it strengthens the transparency and consistency of the process while maintaining the independence and flexibility of the TRP. Specifically, the TRP will score all proposals and present them to the Board classified according to four categories, namely:
 - Category 1: Recommended for funding with no or minor modifications
 - Category 2: Recommended for funding provided clarifications are met within a limited timeframe (e.g. 6 weeks)
 - Category 3: Not recommended for funding in its present form but strongly encouraged to resubmit
 - Category 4: Not recommended for funding.
3. Agree that WHO/UNAIDS and other technical partners verify data, compile statistics and provide written answers to the TRP on an agreed set of questions relating to all proposals going to the TRP.
4. Agree that the Secretariat provides to the Board prior to the next Board meeting in January 2003:
 - a. Rationales for non-eligible proposals;
 - b. Executive Summaries and standardized TRP reporting forms for all reviewed proposals;
 - c. Full texts of recommended proposals on request;
 - d. Statistics on all received proposals (countries, diseases, poverty indicators etc.).
5. Strongly encourage the Global Fund's partners (e.g. local civil society and others) with in-country presence to increase their support and assistance to CCMs during all phases of the process.
6. Request the Committee on Portfolio Management and Procurement to address the following key topics for the next Board meeting:
 - a. Identifying the most needy and poorest countries and ensuring they are not systematically excluded;
 - b. Considering the need for, and making recommendations about, a recourse mechanism (appeal procedure) for countries;
 - c. Improving the information sharing between the Fund's stakeholders;
 - d. Providing guidance on operational research to the TRP;
 - e. Setting clearer boundaries for financial support by the Fund, including eligibility, priorities and Round budgets;
 - f. Reviewing the functioning of the TRP, including how membership is selected and expanded and how it is renewed after two Rounds;

- g. Regarding Recommendation 2, evaluating whether there are conflicts of interest for technical experts to CCMs who may be benefiting from Global Fund applications on which they are providing assistance, or who may otherwise be assisting the TRP with its deliberations,
- h. Defining how to deal more effectively with non-technical and non-disease specific elements of the TRP review such as broader developmental and health systems issues;
- i. Expanding the partnership between various actors (including TRSG, WHO, UNAIDS), at all levels including technical assistance that can be provided by national and international NGO's.

Agenda Item 10: Report of the Task Force on Procurement and Supply Management

Introduction:

1. The Co-Chairs of the Procurement and Supply Management Task Force (Alan Golston, Private Foundations and Sigrun Mogedal, Point Seven) presented the Board with a progress report and recommendations for decisions, including:

- Product Selection and Rational Use
- Quality Assurance
- Procurement and Pricing
- Supply Chain Management
- Budgeting and Finance
- Monitoring and Evaluation

Summary of discussions:

2. Due to the differing views of delegations on key decision items as presented by the Task Force, the first two plenary sessions dealing with this agenda point were used to identify issues that were urgent but required further negotiations, and issues that could be postponed to the next meeting of the Board. A separate working group on Procurement was then convened for further negotiations among Board delegations, chaired by Sigrun Mogedal, Point Seven. This process enabled consensus on key policy which were subsequently presented to the full Board and approved along with a list of urgent follow-up items that would require further work.

Decisions:

The Global Fund Board decided on the following measures related to procurement and supply management:

A. PRODUCT SELECTION AND RATIONAL USE

1. List of medicines to be procured

Fund resources may be used only to procure medicines which appear in current national, institutional or World Health Organization (WHO) standard treatment guidelines (STGs) or essential medicines lists (EMLs). The relevant STG or EML should be included in the proposal submitted to the Fund. Unlisted products may be procured only with appropriate and specific rationale presented in the proposal, as judged by the Technical Review Panel (TRP).

2. Plans for preventive, diagnostic and other public health products

Proposals for purchase of medications must be accompanied in the proposal by a plan of enabling diagnostics and other major categories of supplies related to the provision of these medications.

3. Adherence, drug resistance and monitoring adverse effects

- a) It is strongly recommended to Recipients that they implement mechanisms to encourage adherence to treatment (including but not limited to Fixed Dose Combinations (FDCs), once-a-day formulations, blister packs, and peer education and support), to monitor and contain resistance, and to monitor adverse drug reactions (ADRs) according to existing international guidelines and, if necessary, drawing on budgeted requests for financial support from the Fund.
- b) To help contain resistance to second-line TB drugs and consistent with the policies of other international funding sources, all procurement of medications to treat Multi Drug Resistant TB (MDR-TB) must be conducted through the Green Light Committee (GLC).⁴

B. QUALITY ASSURANCE

4. Compliance with quality standards

- a) For any medicinal product to be eligible for purchase with Fund resources, its compliance with quality standards must be assured. For multi-source, off-patent products with available dosage from public pharmacopoeial quality standards, verification of product compliance with standards would be conducted in accordance with the existing national procedures of the Recipient's country.
- b) Provided products are accepted by the national drug regulatory agency (NDRA) of the Recipient country (see 5 below), to be eligible for purchase with Fund resources any single or limited source product (that is, a medicinal product for which there are not publicly available quality assurance standards, analytic methods, and reference standards) must (a) have been found to be acceptable by the WHO-initiated UN Pilot Procurement Quality and Sourcing Project, or (b) have been authorized for consumption in its country by a stringent regulatory authority,⁵ or (c) have been authorized by the national drug regulatory authority in the Recipient's country. Option (c) is applicable only until December 31, 2004, after which suppliers must comply with one of the two standards as set out in (a) and (b) – and in all cases are subject to monitoring product quality standards prescribed by the Fund as in 6.1.

5. National drug registration

- a) Products procured with Fund resources are subject to authorization by the National Drug Regulatory Authority (NDRA) in the country in which they will be used, following its standard practices for drug registration for pharmaceutical products. For products that have passed the UN Pilot Procurement Quality and Sourcing Project review, as described in above, NDRA's are encouraged to expedite registration by accepting WHO pre-qualification inspection and supporting dossiers in lieu of national requirements.

⁴ <http://www.who.int/gtb/policyrd/DOTSpplus.htm>

⁵ For the purposes of this policy a *stringent drug regulatory authority* is defined as a regulatory authority in one of the 28 countries which is either a PIC/S and/or ICH member

- b) For products which have been authorized by stringent drug regulatory authorities, NDRA's are encouraged to expedite registration by accepting in lieu of national requirements the Executive Summary of the Common Technical Document (CTD) or Summary parts for quality, safety and efficacy together with all necessary information to perform quality control testing of products and necessary reference standards.

6. Monitoring product quality

- a) Recipients, their procurement agents, or NDRA's must systematically draw random samples of pharmaceutical products purchased with Fund resources for quality control testing to monitor compliance with quality standards. Testing may be budgeted in proposals, to be funded by the Fund. For multi-source off-patent products with available public standards, samples should be sent to WHO-recognized laboratories in cases where the NDRA have no capacity for this testing.
- b) For single- or limited-source products without public standards and pre-qualified by UN Pilot Procurement Quality and Sourcing Project, samples should be sent to WHO-recognized laboratories already participating in the WHO pre-qualification project in case the NDRA has no capacity. For single- or limited-source products that have been pre-qualified on the basis of authorization by a regulatory authority in an ICH and/or PIC/S member, testing shall be done by a laboratory identified by the purchaser as stated in the purchase contract. The laboratory should be a WHO-recognized laboratory, or a laboratory in ICH and/or PIC/S countries in case the country does not have identified laboratory capacity.

C. PROCUREMENT AND PRICING

7. Procurement practices

The Fund will require that, as a minimum, Recipient procurement offices and any contracted agencies/services adhere to the Interagency Operational Principles for Good Pharmaceutical Procurement.⁶ Where practices differ from the Interagency Guidelines, Recipients or their agents must demonstrate to the LFA comparable systems for competitive bidding within a group of pre-qualified suppliers, transparency and accountability to their practices, and their application of necessary quality assurance mechanisms. Recipients should also demonstrate the existence of a full set of contractual documentation to govern each transaction.

8. Procurement responsibilities

- a) The Recipient is responsible for all procurement, with the use of contracted local, regional or international procurement agents being at the discretion of the Recipient. The exception to this would be for those product categories for which local procurement capacity is insufficient, as judged by the Procurement and Supply Management Assessment. For such product categories, Recipients would be required to use established regional or international procurement services and will be informed by the Fund on which mechanisms are available.
- b) Even for product categories for which Recipients have procurement capacity, the use of capable regional and global procurement services is encouraged wherever pooling of demand lowers prices for products of assured quality.

9. Monitoring supplier performance

⁶ Operational Principles for Good Pharmaceutical Procurement (Interagency document). WHO, Geneva, 1999. WHO/EDM/PAR/99.5. www.who.int/medicines/library/par/who-edm-par-99-5/who-edm-par-99-5.htm

Recipients are responsible for monitoring the performance of suppliers with respect to product and service quality and for submitting that information electronically for web publication through a mechanism established by or identified by the Fund. Reporting guidelines for supplier performance should be specified by the LFA, according to guidelines provided by the Secretariat of the Fund.

10. Lowest possible price

- a) The Fund requests Recipients to use Good Procurement Practices, which includes competitive purchasing from qualified manufacturers and suppliers, as outlined in section B of these recommendations, to attain the lowest price of products. The Fund encourages Recipients to comply with national laws and applicable international obligations in the field of intellectual property including the flexibilities provided in the TRIPS agreement and referred to in the Doha declaration in a manner that achieves the lowest possible price for products of assured quality.
- b) The Fund encourages the voluntary efforts of pharmaceutical companies to expand current tiered or preferential pricing arrangements, among other mechanisms, to promote differential pricing.
- c) Disclosure of information on prices paid for purchases by Fund Recipients is a matter of principle and will facilitate a process leading to lower prices. The Fund will ensure that information on prices paid on products of assured quality with the same conditions (e.g., including other goods or services included in the contract) is made publicly available. The disclosure of this information will be pursued by the Fund. A methodology for assuring this transparency will be presented to the Board by January 2003.
- d) In the cases of this policy, price refers to DDU costs – delivered duty unpaid. The approach taken may be to publicly list average, minimum, maximum, and mode prices and/or prices for individual companies and/or Recipients. This choice requires further consideration by the Fund to identify or develop standard methods to ensure to the extent possible that price information is based on a consistent set of definitions. It is understood that price comparisons are indicative and must include special "add ons"/conditions included in the price and that actual prices will vary.

E. BUDGETING AND FINANCE

17. Direct payment to suppliers upon delivery

Prompt payment in compliance with the terms of payment of the contractual provisions encourages timely delivery of products and reduces transaction costs. Direct payment to suppliers by the Trustee, on confirmation of delivery, will be allowable upon request of the Secretariat if, as confirmed by the LFA, such payment arrangements are expected to reduce costs and to be consistent with necessary accounting requirements.

18. Exemption from duties, tariffs and taxes

- a) The Fund strongly encourages the relevant national authorities in the Primary Recipient's country to exempt from duties and taxes all public health products financed by the Fund to NGOs, groups of NGOs, or national authorities, or any other PRs.
- b) In any case, Fund resources may not be used to pay duties, tariffs, local or national taxes on public health products procured with Fund resources. If payment of such fees is required by relevant national authorities, such payment is the responsibility of the Recipient.

19. Additionality of Fund resources and contribution to sustainability

- a) The Fund encourages Recipients to manage and to apply Fund resources as part of a sustainable long-term plan for local public health financing. Recipients will be required to declare in the original proposal to the Fund other international financing and product donation programs being utilized by Recipients. Ongoing indicators must show the magnitude of product financing supported by domestic versus international financing.
- b) Programs which include consumer cost recovery mechanisms are eligible for funding by the Fund when such programs are part of a pre-existing healthcare financing policy, which should be specified in the proposal to the Fund; in these cases, the budget request to the Fund must not duplicate costs to be reimbursed by consumers.

21. Prices used for budgeting proposals

- a) For budget requests for pharmaceutical products, proposals to the Fund must use the lesser of current procurement prices, firm offers from suppliers, or existing public price information sources specified by the Secretariat in the Guidelines for Proposals. A rationale for budgeting using prices other than those specified above should be described in the proposal. All prices should be expressed in standard trade terminology to allow transparent comparison.
- b) During implementation, these budgeted prices will not act as a defined reimbursable ceiling or floor to the full cost of products paid by the Recipient, provided that products are of assured quality and that procurement practices adhere to the policies of the Recipient and Fund.

F. MONITORING AND EVALUATION

22. Monitoring the performance of procurement and supply systems

- a) Prior to disbursement, Recipients must prepare a plan for monitoring the performance and sustainability of procurement and supply management systems. The monitoring plan should include tracking of procurement prices, distribution costs, additionality of Fund resources to domestic and other international sources, and other measures of procurement and supply system performance and sustainability. Indicators for monitoring should be agreed with the Fund and included in the Grant Agreement. The Secretariat of the Fund will make available a menu of existing international indicators with agreed methodology to support this process.
- b) Baseline data for agreed "core" indicators must be gathered before Fund-supported services and products may be delivered. The baseline survey should be done prior to the Grant Agreement as part of the Procurement and Supply Management assessments undertaken by the LFA.

23. The Board also approved several follow-up items to be considered by the Portfolio and Procurement Committee (Reference numbers refer to the Report of the Task Force on Procurement and Supply Management) :

- a. Reference 2.1: Diagnostics and other major categories related to provision of medications;
- b. Reference 4.2.c): A study of the degree of intensity, the frequency, monitoring, and how frequent the testing and monitoring should be done, along with the costs involved;
- c. Reference 6.1: A study of :

- the need to decide on how to make a judgment on NDRA capacity to proceed with analysis of multi-source products, and if required make a recommendation on this topic to the Board;
 - the potential conflicts of interest involved when products are manufactured in a state-owned laboratory and the Principal Recipient is a public entity;
 - the potential conflicts of interest involved when products are manufactured or purchased in a state-owned structure and the state is responsible for quality;
- d. Reference 8.1: Review the feasibility and options for partnering relevant global bidding mechanisms;
 - e. Reference 8.2: Review the feasibility or necessity of global or regional procurement or bidding mechanisms for product categories for which such mechanisms do not currently exist. The Fund will not, in any case, take on such procurement responsibilities itself;
 - f. Reference Annex IV, p. 7: Review specific recommendations on capacity building;
 - g. Reference 10.1: Perform a feasibility study, including a full cost analysis, to develop a pricing reporting mechanism as outlined in the pricing section that will require that information on prices paid by Recipients is made publicly available through existing international pharmaceutical pricing services or be made public by the Fund. This includes determining who will publish the pricing information. Taking into account that it is a difficult matter, the Portfolio Management and Procurement Committee will study the best way of achieving this objective;
 - h. Reference 12: Study and make recommendations regarding the issue of domestic production;
 - i. Reference 18.1: Study the impact of the policy on duties, tariffs, and taxes, including specifically the impact on NGOs, and make appropriate recommendations to the January 2003 Board meeting;
 - j. Explore the necessity for the continuation for a special Procurement and Supply Management Task Force and review the memberships of such a Task Force.

Briefing Session: Fiduciary arrangements

Introduction:

1. The Secretariat presented the paper entitled Update on Fiduciary and Disbursement Arrangements (GF/B3/6) and provided further information on the progress in defining the fiduciary framework and arrangements of the Global Fund. The Global Fund's fiduciary principles build on the Fund's mandate as a financial instrument. As such, the Fund will

- Rely on CCM partners at country level for implementation of programs
- Promote rapid release of funds to target populations

- Establish robust and reliable systems for monitoring of non-financial results and financial accountability built, to the degree possible, on existing standards in grant recipient countries and in line with harmonization efforts
- Monitor and evaluate program effectiveness and make decisions for future funding based on results.

2. In the current disbursement architecture, Principal Recipients (PRs) at country-level will be accountable to the Fund on behalf of the CCM for proposal implementation and financial management. Local Fund Agents (LFAs) will be contracted by the Global Fund to oversee implementation progress. To date, the Global Fund has confirmed four public and private organizations as LFA candidates for the first round: PriceWaterhouseCoopers, KPMG, UNOPS, and Crown Agents.

3. It was explained that the Secretariat is working to develop the Fund's disbursement policies and reporting requirements. The objective is to develop sound mechanisms for results-based disbursements, where funding decisions will be linked to demonstrated results, and be in line with donor harmonization efforts.

4. Finally, the Secretariat informed the Board that four fast-track countries (Ghana, Haiti, Sri Lanka, and Tanzania) were in advanced stages of negotiations and expected to receive first disbursements in the following weeks.

Summary of discussions:

5. Board members raised a number of questions concerning the exact roles and responsibilities of the CCMs, LFAs and PRs, and requested clarifications from the Secretariat. There was concern that the LFA role had changed very significantly from the role set out by the Board in April without formal reference to the Board. The need to promote civil society involvement through the CCMs in the implementation of the approved proposals was stressed. Board members emphasized the need to build on existing structures and development partnerships in recipient countries with a view to strengthening national capacity and ensuring local ownership. Board Members reminded the Secretariat that at the 2nd Board meeting it was decided that suitable, independent, credible and experienced partner organizations at the country level can be contracted as an LFA. Questions were also raised regarding the selection process for the LFAs and the expected fees to be paid.

6. Board Members emphasized the need to expedite the disbursement of funds for approved proposals and asked for a disbursement timetable to be established to allow recipient countries to plan their work in advance.

7. The Secretariat reiterated the Global Fund's mandate to remain a financing mechanism and to develop innovative ways to finance the fight against the three diseases. It was acknowledged that the current fiduciary framework and arrangements needed to be developed further and different alternatives evaluated.

8. The Secretariat reassured the Board that over a dozen different institutions had been contacted in the Secretariat's efforts to define which entities would be suitable to fulfill LFA responsibilities. However, Board members suggested that a transparent open bidding process be used in future. The currently confirmed LFAs were selected due to both their suitability and willingness to fulfill the LFA role. If

the LFAs would not have sufficient capacity for certain functions, they could subcontract or rely on development partners as appropriate.

9. The Secretariat emphasized that the current LFA list was not closed, and that more organizations would be considered for the role. In the selection process, the Secretariat should explore and evaluate possibilities to contract with local organizations for the LFA role (see also Agenda Item 11, para.8). However, the Secretariat cautioned that it would be difficult administratively for the Secretariat to coordinate numerous different LFAs, and that local alternatives would not necessarily provide a more cost-effective solution.

Agenda Item 11: Building a Permanent Secretariat

Introduction:

1. The newly appointed Chief Operating Officer introduced the Report on the Recruitment of the Permanent Secretariat (GF/B3/11), and presented a revised organizational structure to deliver on the challenging aspirations ahead.

2. The recruitment taskforce, assisted for the senior positions by the executive search firm Odgers Ray and Berndtson, has made tremendous progress; over three thousand applications have been received and are being processed. Thus far, ten appointments have been made and several other positions are at an advanced stage of negotiations.

3. Increased Secretariat experience and clarity on the way forward were translated into a revised organizational structure, with a total of fifty-three positions, including nine D2-level positions, to deliver on the challenging aspirations and to enable business innovations.

4. Subsequently, the Secretariat invited the Board to acknowledge the progress made on hiring a diverse permanent Secretariat and to approve the proposed changes in the permanent Secretariat structure from the one approved by the Board at the Second Board meeting.

Summary of discussions:

5. The Board recognized the progress made by the Secretariat, and emphasized its trust in the leadership of the newly appointed Executive Director. However, the Board expressed concerns over the size and the "top-heaviness" of the Secretariat, questioning particularly the number of D2-level positions. The Board requested the Secretariat to be mindful of the message that the proposed structure (and associated budget) may send. In addition, it instructed the Secretariat to consider opportunities to recruit young, dynamic and talented staff at lower salary and grade levels than proposed. Finally, though the Board agreed in principle to the number of staff proposed, it cautioned the Secretariat to strive to remain "lean and mean", and to keep the scope of its activities within the Fund's mandate as a financial institution. The following concerns were also raised by some delegates:

- As regards Local Fund Agent selection, the technical expertise of the current LFAs, particularly as regards programmatic issues, and monitoring and evaluation, as well as their fee level was questioned and a review was requested. The Secretariat was asked to explore the possibilities of contracting with local organizations for the LFA role;

- The need for permanent technical experts in the Secretariat, such as health, monitoring and evaluation and procurement specialists, was questioned, given that the Fund is supposed to draw on others for technical inputs;
- It was noted that the expenditure level for external consultants should be kept at reasonable levels;
- The need for the Board to remain focused and to limit its demands on the Secretariat in order to reduce the pressure for additional resources was also noted.
- Board Members also expressed their preference for the staff of the Secretariat to reflect a broad regional balance. It was noted that this should of course be achieved while retaining the primary criteria of competence and suitability.

6. Board members emphasized the importance for the Fund to ensure equitable recruitment and working policies towards people living with the three diseases. The Secretariat gave assurances that it was taking this matter very seriously and designing appropriate action.

7. Delegations emphasized the economic advantages of increasing seconded staff and inquired on the procedures for secondments. The Secretariat warned against the potential disadvantages of secondments, which could limit the ability to create a truly representative employee pool, and could also undermine the competitive recruitment process. Nonetheless, the Secretariat expressed its flexibility to evaluate secondment options, and to welcome a limited number of "free" secondments.

8. Upon instruction from the Board, the Secretariat committed to reconsider its structure and to remain "lean and mean", while being mindful not to undermine accountability and performance. The Secretariat reiterated its cautious and empirical approach towards contracting with and selecting its Local Fund Agents. In addition, the Secretariat would explore and evaluate possibilities to contract with local organizations for the LFA role, while cautioning that the cost of coordinating numerous LFAs may outweigh the economic benefits of contracting those local LFAs (See Informal Agenda Item on Fiduciary Arrangements. Para 9.).

Decisions:

The Board decided to:

1. Acknowledge the progress made on hiring a diverse permanent Secretariat;
2. Request the Secretariat to take into account the Board's strongly stated concern about 'top heavy' recruitment and proposed remuneration levels of Secretariat staff. The Secretariat will continue to recruit, making adjustments as much as possible to address this concern while still obtaining quality staff in a timely manner, and report back to the Board on this in January 2003;
3. In light of the above, approve the proposed changes in the permanent Secretariat structure from the one approved by the Board at the April, 2002 meeting.

Agenda Item 12: Quasi-Intergovernmental Status

Introduction:

1. The Secretariat updated the Board on its efforts to establish Quasi Intergovernmental status with greater autonomy by introducing a revised version of paper GF/B3/12 (Revision 2), Report on the Exploration of a Transition to Quasi-Intergovernmental Status.
2. The Fund currently has an Administrative Service Agreement with the WHO to the value of USD 1.2 million in annual fees. The Secretariat noted its appreciation of the support provided by WHO to date. The Secretariat recognized that WHO's administrative and institutional rules were not always suited to the needs of the Global Fund and that, up till now, WHO's administrative capacity to fully support the starting-up phase of the Global Fund had been insufficient.
3. The possibility of the Swiss Government conferring Quasi-Intergovernmental Status on the Global Fund was explored by the Secretariat and presented as a viable solution for the Fund. This exploration was mandated by both the First and Second Board meetings.
4. A representative of the Swiss Authorities, Ms Evelyne Gerber (Chief of Diplomatic and Consular Law at the Federal Department of Foreign Affairs), presented the conditions under which an organization could attain the status of a Quasi Intergovernmental Organization under Swiss Law. The organization must be a legal entity; the structure of the organization must be close to that of an intergovernmental organization; the majority of the financing should come from states; the functions of the organization should serve the public good; and the Swiss should have an interest in hosting the organization. According to these criteria, it is not anticipated that the Global Fund will have any problems qualifying for Quasi-Intergovernmental status in Switzerland.

Summary of discussions:

5. The Board expressed concerns regarding the requirements for the split between private and public financing. The Swiss Authorities' representative gave assurances that at the time when the status is granted, the majority of the financing (i.e. at least 51%) must come from public sources, while this will not necessarily be a required condition in the future.
6. In addition, the Swiss representative outlined some key advantages of the status, which allows the organization exemption from direct and indirect federal, cantonal and communal taxes (including VAT), tax exemptions on salaries of non-Swiss staff members, waivers on limitations on hiring foreign employees, and diplomatic status for a small number of executives who are non-Swiss citizens.
7. Board members expressed diverging views and opinions on the change of status. While some Board members expressed objections to the Quasi-Intergovernmental status, others expressed support in order for the Fund to be completely independent and to act more efficiently and effectively.
8. Board members expressed reservations for the need to change status, cautioned on the speed with which the Fund is moving ahead with these arrangements; other members pointed out the importance of working in

partnership with the WHO. Moreover, it was suggested that the Fund explore other models before taking a decision. The view was expressed that the change of status seemed only to influence the welfare of staff with no major impact on the Fund's guidelines and principles and is therefore not necessary at this stage.

9. The Secretariat gave reassurances of the Fund's excellent technical working relationship with WHO and UNAIDS and informed Board members of the latest positive discussions with the WHO Director General, where agreements were reached on two key points:

- The Director General would provide clear delegation of authority to the Executive Director (who has the status of an Under-Secretary-General of the UN)
- WHO will create a Management Support Unit (MSU) dedicated to the Global Fund.

10. The Secretariat noted that it is clearly important to the success of the Fund to have high functioning administrative services, so while the preliminary discussions with WHO in terms of the new arrangements proceed, it would be prudent to continue to investigate the Quasi-Intergovernmental alternative since an independent legal status would present the Fund with options and at that point it could be decided what, if any, functions would be transferred from WHO.

Decisions:

The Global Fund Board:

1. Asks the Secretariat to continue to explore an agreement with the Swiss Government on Quasi-Intergovernmental Organization status, and the consequences of that for The Global Fund, and to report on progress pursuant to this objective at the January 2003 Board meeting.

Agenda Item 13: Budget and Workplan

Introduction:

1. The Secretariat presented the Global Fund's revised budget proposal for 2002 and 2003 and explained the rationale for the revisions compared to the estimates presented at the previous Board meeting.

Summary of discussions:

2. Delegations requested additional information regarding the cost-estimates in the budget proposal and the proposed workplan. Specific questions were raised regarding the proposed salary levels of the staff members of the permanent Secretariat and the cost-estimates for the Local Fund Agents (LFAs). Delegations expressed concern regarding the currently confirmed LFA candidates, and requested the proposed LFA arrangements to be revisited during the next Board meeting with a special consideration to local alternatives as well as to the possibility of local or international NGOs fulfilling this role. A majority of the Board agreed that the private sector should be urged to increase its contributions to the Fund.

3. The Secretariat promised that the Board would receive a more detailed work plan and budget for 2003 at the next Board meeting and that the selection process for LFAs would be carefully reconsidered keeping in mind the need for a cost-effective solution that produces the best result. The proposed budget of

USD 20,914,000 for 2002 was approved. The proposed budget of just over USD 40 million for 2003 (comprising 50% LFA costs, 20% staffing and 20% partnerships, 10% other) was reduced by USD 10 million and approved subject to review at the next Board meeting. It was decided to explore cost reduction possibilities, including outsourcing to partners and a less "top heavy" staff structure for the Secretariat.

Decisions:

The Global Fund Board decided to:

1. Approve a revised budget of USD 20,914,000 for the period May – Dec 2002;
2. Ask the Secretariat to submit to the January 2003 Board meeting a detailed work plan, including a comparative table related to parameters and benchmarks in order to better assess the different competitive options for selection of LFAs;
3. Approve a provisional budget for 2003 of USD 30,028,000 on the understanding that the Secretariat will present a revised budget for decision at the January Board;
4. Urge governments to disburse as soon as possible the funds they have pledged for the year 2002;
5. Urge the private sector to mobilize resources in order to increase the share of private contributions to the Global Fund in the spirit of public/private partnerships that characterizes the Global Fund.

Agenda Item 14: Global Partnerships

Summary of discussions:

1. Due to lack of time, the Board's discussion on partnerships between the Global Fund and other institutions was postponed until the next Board meeting. Certain delegations stressed the vital importance of alliances between the Fund and entities such as Stop TB, Roll-back Malaria and UNAIDS in order to keep the scope of the Fund's activities limited to its mandate as a financing institution. It was agreed that the current paper on partnerships, which was circulated to Board members, would be expanded and discussed fully at the next Board meeting. The Governance and Partnership Committee and the Secretariat would give priority to advancing partnerships with the above mentioned entities by the Fourth Board Meeting.
2. Board members requested an explanation of the suggested logo for the Global Fund, and after a discussion of different possible interpretations, the proposed logo was approved.
3. A full discussion of partnerships will be scheduled early in the proceedings for the next Board meeting.

Decisions:

The Global Fund Board decided to:

1. Approve the use of the logo for internal use and request the Secretariat to ensure it is discussed at the next Board meeting;
2. Acknowledge the paper on Global Partnerships and agree it should be used as a basis for further discussion at the Governance and Partnership Committee;
3. Ensure that the issue of partnerships is placed early in the proceedings on the next Board Agenda so that it is given the attention it deserves.

Agenda Item 15: Resource Mobilization Plan

1. Given the lack of time it was decided that this item would be briefly considered and that decisions on the financial prospectus would be postponed to the next Board Meeting.

Introduction:

2. The Secretariat introduced the paper Resource Mobilization: Current Status and Future Prospects (GF/B3/15). Based on experience from submitted proposals for Rounds 1 and 2, the paper updated the Board members on the financial prospects of the Fund. The Secretariat drew attention to the need to intensify resource mobilization efforts to cover current and future commitments, while developing a clear resource mobilization strategy going forward.

3. The Secretariat presented the current financial situation of the Global Fund: USD 2.1 billion pledged through 2006 and USD 483 million paid-in as of 10 October 2002. It was suggested that Board commitments should be based on pledges and that Grant Agreements must be covered by actual cash assets in the Trustee Account.

4. Furthermore, the two-year resource mobilization targets were outlined as follows:

- Before the end of 2002, at least an additional USD 149 million needs to be paid-in to allow the Fund to sign Grant Agreements with all Principal Recipients of approved Round 1 proposals. The remaining outstanding pledges of USD 480 million for 2001 and 2002 should also be transferred to demonstrate donor commitment and successfully prepare the Fund for future Rounds in 2003.
- In 2003, an expected USD 2.0 billion needs to be pledged to allow the Board to approve funding for two proposal rounds in 2003. This forecast assumes an increase in both volume and quality of proposals in these rounds.
- In 2004, an additional USD 4.6 billion is needed to allow the Board to commit to two new rounds and to the last three years of the first round of proposals.

5. Finally, the Secretariat requested that it should, in collaboration with the Portfolio Management and Procurement Committee, further develop portfolio management policy options to operationalize the principles of The Global Fund and acknowledge the internal implications of substantial resource mobilization as

well as the critical role of partners to support the Fund's operations and to ensure the success of its grants.

Summary of discussions:

6. Overall, Board members endorsed the need for both the Secretariat and the Board members to prioritize and intensify resource mobilization efforts and not to commit grants beyond available assets. It was agreed that the Secretariat would explore with others such as GAVI whether it is possible to sign multi-year agreements on the basis of firm pledges, as opposed to needing all the cash upfront. Moreover, the Private Sector was encouraged to increase its contributions, generally considered as insufficient. Though the Board endorsed the need to intensify mobilization efforts, it cautioned that an aggressive mobilization strategy should rely on the principles of additionality, and most importantly be supported by demonstration of results at country level. There was also concern that there had been little interest shown in the Resource Mobilization Committee which would play a key role in resource mobilization effort, and Board members appealed for more attention and participation on this Committee.

7. The Board also expressed consensus that the TRP would continue to evaluate proposals on their technical merits and without consideration of resource constraints.

8. Finally, the Board encouraged the Secretariat to pursue development of a comprehensive resource mobilization strategy to be presented for endorsement at subsequent Board meetings.

Decisions:

Due to time constraints, no decision was taken. Formal decisions were postponed to the next Board meeting, at which time resource needs and resource mobilization strategies will be discussed.

Agenda Item 16: Calendar 2003 and Wrap-Up

Introduction:

1. The 2003 calendar was presented with suggested dates and venues for Board meetings. The proposed dates for the next Board meeting are January 29-31, 2003.

Summary of discussions:

2. There was a general agreement to extend the duration of the January Board meeting from two to three days to accommodate pending topics from the Third meeting as well as for the approval of proposals. There was also an agreement to limit the new number of rounds to one for calendar year 2003 (decisions on proposals planned for January and October).

3. It was proposed that since the June Board meeting will no longer contain proposal decisions and will therefore take place in Geneva, the planned meeting in Thailand should now take place in October. The Thai delegation kindly confirmed that they would transfer their invitation to the Board from June to October (subject to confirmation by the Thai delegation).

4. The French delegation extended an invitation to the Board to link the June meeting, since it would now take place in Geneva, to the G8 meeting in Evian,

possibly even holding the meeting in Evian. The Secretariat will coordinate closely with France on this issue.

5. Board members asked whether it was possible to postpone the next Board meeting to accommodate the Chinese New Year festival dates. The Chair was reminded that according to Article 12 of the by-laws, the one year appointment of Chair and Vice-Chair would expire on January 30, 2003, it was stressed that this needed to be taken into consideration if the dates were delayed.

Decisions:

The Board decided to accept the proposed Calendar for 2003 as follows:

1. To hold the Fourth Board meeting over three days from 29 – 31 January 2003, with the possibility of Committee meetings or briefings on the 28 January;
2. To call for only one new round of grant applications in 2003 and to develop a timeline for this round (Round 3);
3. To hold a policy Board meeting in June 2003 and to explore the possibility of meeting in France in parallel with the G8 meeting in Evian;
4. To hold the 6th Board meeting in October, in Thailand, and consider the Round 3 grant application recommendations at that time.

17. Closure

The Chair paid tribute to Dr Paul Ehmer, who had been a co-manager of the Interim Secretariat and Dr Anders Nordstrom, Interim Executive Director of the Interim Secretariat for their contribution in getting the Global Fund started. The Chair also thanked the Board members, working groups, delegations, the interpreters, the Secretariat staff and everyone involved in participating in the two and a half day long meeting, noted the tremendous progress made on a number of key issues and adjourned the meeting.

ANNEX 1

REPORT OF THE EXECUTIVE DIRECTOR

Thank you, Chrispus, for that warm introduction. I want to formally welcome you all to Geneva, and to this historic Third Board meeting, through which the Global Fund must and will make significant progress towards full operational effectiveness.

You are the reason the Global Fund exists. You, and the constituencies you represent, offered the extraordinary vision and the careful planning necessary to create a bold new Fund, and the world owes you its thanks.

In a year, the Fund has matured from an idea to a tangible enterprise, a novel mechanism to support the fight against AIDS, TB and malaria, and this, too, is thanks largely to your active engagement and the leadership of Chrispus, Nordstrom, Paul Ehmer, and many others.

We now look to you to lead us forward again through the challenges implicit in operationalizing the Fund, in translating aspirations and principles into policies and procedures that get money to where it is needed – quickly, accountably and with high confidence of impact.

The need for the Fund has never been more urgent. AIDS, TB and malaria are ravaging this world; by robbing the health of communities, they threaten basic social and cultural institutions, economic progress and political security.

On the day that we lost Charles, we lost 16,000 other young lives to these diseases – all unnecessary deaths that we have the power to prevent. 16,000 more will be lost today. We have no time to spare.

These diseases are getting worse. The report issued last week in Washington showed that we have grossly underestimated the HIV explosion in Asia. An epidemic that is already worse than the Black Death is poised to double or triple in size in less than a decade. The longer we wait, the deeper and broader these diseases will penetrate, making the fight that much more difficult and many times more expensive.

We need a new way forward. Business as usual has failed. We are making improvements on the margins, but that is not nearly enough. You have created the Fund to be different. And we must be. **Quantitatively of a different scale. Qualitatively of a different nature.**

We have reason to be proud already. The true success of the Fund will be measured in infections averted and years of life reclaimed, and this will come in due course. But the road traveled thus far shows signs of real progress.

The Fund has catalyzed the creation of new and broader partnerships. The promise of new funds has encouraged public and private partners in country to work together. In some cases, this builds on existing mechanisms; in others, like Haiti, the arrangements are new and would not have occurred without the Global Fund.

The Fund has invited and approved innovative approaches to fight these diseases. What impresses me most about the first round approvals is not their size, though they are of an unprecedented scale, but their innovation – nets to

local communities in Tanzania through vouchers that can be submitted to local shops and vendors; DOTS introduction to entirely new states in India; or the broad involvement of people living with HIV to extend home-based care and peer education programs in Ghana.

The Fund has proven that it is a quick and ongoing learner, getting a second round of proposals going two months after the Round 1 approval, with greatly improved processes and forms. The results are now in – countries have generally applied through the CCM process, they have followed the guidelines to submit more detailed and transparent proposals, and they have made significant requests (5 and a half billion from 150 proposals) to build the upfront capacity needed to truly scale up local responses to these diseases. This is all extremely good news.

The burden of responsibility is now on us to make the Fund work for these applicants and grantees, to disburse, manage and attract funds with both speed and accountability. During this summer, **three priorities** have been driving the Fund and its partners towards that goal.

First

Creating a disbursement architecture that gets money to those who can spend it effectively. The approval of proposals in April put the cart before the horse; we had the imperative to get money out, but no system to do so. Using an existing structure would be contrary to the spirit of the Fund – using World Bank channels, for example, would be equivalent to buying down IDA credits ; the Fund was not created to buy down IDA credits. It was created to be different. Innovative. Better. More money, faster disbursement, clearer accountability, greater transparency. These last months have been spent setting the foundation to meet this great task.

Second

Building a first class Secretariat to execute the Fund's operations. A few dozen people managing billions of dollars and well over a hundred grants – for that vision to work, those few people must possess remarkable leadership skills, expertise and experience, competency and commitment. But the few cannot be too few. And the Secretariat, whatever the number, must be well equipped to do its job. The speed at which we have to move allows us little time to build capacity. We need to rapidly hire the talent that we need to deliver our promise. And this requires resources.

Third

Creating a policy framework that instructs and guides our operations, both at the global level and among grantees. What are the rules of procurement? How will monitoring & evaluation be conducted? How much money does the Fund need? People have been asking these questions – and speculating about answers – for quite some time. But for the answers to have weight, they must be yours. They must be the Fund's. The Secretariat and the Fund's grantees need these answers. We have worked hard with you to develop recommendations, and we now need Board decisions to maintain the pace of operational work.

By way of introduction, **let me highlight some key points among these policies,** which serve as the basis of discussion and debate over the two days ahead.

On disbursement, which is today and will on any day, be the single greatest priority of the Fund, we have introduced and affirmed three components.

The Primary Recipient ensures local ownership. The CCM is not a legal entity with an account or management capacity. The PR is nominated from the CCM to be the captain of the team, assuming responsibility for local disbursement and ongoing reporting to the Fund. The PR can be public, but it can also be private; it can be an NGO. There can be two. The goal is to give flexibility and ownership in countries, with the PRs as the direct recipients of funds from the Trustee.

The Local Fund Agent ensures central accountability, acting as the Fund's eyes and ears in country, not to serve as a middle man, but instead as a referee, that watches but does not interfere; the whistle is blown if there is a foul, if the Fund must be made aware of faulty data or blocked implementation. Two criteria are essential for the LFA to be credible: local capacity and independence. And the preference is to have a few LFAs contracted at the global level. That way, they can be closely managed, the relationships maintained and the culture of the Fund shared. Our choices so far have shown eagerness to embrace this model. They are experts in financial and management oversight. Where they lack specific health expertise, they have made every effort to supplement their capacity. In Haiti, John Snow International has been hired by KPMG to conduct the procurement & supply management assessment. In Tanzania, PWC has brought in the Swiss Tropical Institute to provide supplementary expertise on malaria (anyone who knows malaria knows that is a spot-on choice).

The Grant Agreement enables results-based reporting & funding, as it specifies the indicators and milestones by which performance will be assessed. Reporting requirements are designed to fully embrace the experience and increasingly harmonized procedures of other donors. But they will be innovative and, where possible, much lighter. Expenditure will be justified not with receipts, but with a clinic built or healthcare workers trained. And there will be total transparency regarding the need to achieve certain minimum standards to maintain the stream of funding.

The details are not yet entirely specified for these components or for the process overall. But the basics are in place, and they are driving the push to Round 1 disbursements. Work is happening today in Ghana, Haiti, Sri Lanka and Tanzania. In three of these four cases, Ghana, Haiti and Sri Lanka, word back from the field is that Grant Agreements could be signed as early as next week, as soon as we convey back to the field basic policies on issues like procurement; these Grant Agreements are waiting for your input to put in practice the principles of the Fund. Once the agreements are signed, the Trustee will issue the first checks.

From creation of the organization to cash disbursement in 10 months – Six months would have been better, but we can still be proud of that.

The Secretariat must be equipped to take this work forward. The day-to-day work is not insignificant. Many members of the team have made a habit of putting in 16-18 hour days, 6 to 7 days a week. Grants management requires certain resources and skills in any organization. In ours, the nature and scale of the grants places a uniquely high demand on those resources and skills. In addition, massive and urgent demands to implement our innovative fiduciary structure and mobilize critical resources require a well-prepared team.

The job positions and organizational design of the Secretariat have attracted tremendous talent, with 2,000 applications for the ten senior posts alone. The design of the secretariat has geographic Fund Portfolio teams interlaced by functional teams on Strategy and Evaluation, Operations and External Relations. 2,000 applications from multiple geographies, sectors, backgrounds – this represents strong external faith in the Fund. People believe that they can do something differently at the Fund. And, of course we do, too. I have the distinct pleasure of welcoming some of the new team members here to this meeting. They are...

- Tom Solender, Director of External Relations
- Arletty Pinel, Fund Portfolio Director for Latin America & E. Europe
- Vinand Nantulya, Senior Health Advisor
- Dee Jay Mailer, Chief Operating Officer

Thank interim team

The budget of the Secretariat needs to be expanded in order for it to do a competent job of running the Fund on a day-by-day basis. Is 40 million \$s in one year a lot? In absolute terms, yes. But < 4% of funds disbursed is administratively light. Half of these costs are for the outsourced contracts to LFAs that will allow the central staff to remain limited to around 50. Our negotiations with LFAs on compensation are ongoing. We are drawing some hard lines regarding costs with our new partners, while remaining practical about our need to start work quickly. The budget is based on our best estimates at this moment. If we find, after gaining valuable experience in the first countries, that our cost projections are too high, then we will revise our forecasts and will present a new budget to you in January.

The business plan of the Secretariat is positioned to add substantial value to the Fund, particularly through partnership. A number of partnership opportunities are ripe, including defined roles and responsibilities with our technical partners, collaboration with NGOs to improve information exchange, and private sector relationships to leverage additional resources on the ground. Also on the agenda for the Secretariat is to accelerate the transition to Quasi Intergovernmental status to affirm the independence of the Fund and to enable it to function with the necessary autonomy.

Let me pause a moment before continuing ahead through the highlights of the proposed policy framework. I suspect that some Board members will have concerns about about some of the points that I have made on disbursement and the Secretariat. There will surely be healthy debate over the next two days, and I think that it is useful to think about this forthrightly.

There will not be 100% agreement on 100% of the issues presented. We are at a stage in the Fund's lifecycle during which we must move from broad statements of principle to concrete articulations of specific policies and procedures. We are doing this responsibly but quickly, and, as we do so, we will encounter internal differences of opinion.

This disagreement is a good sign. It means that we are asking the tough questions that must not only be asked, but answered if we are to make good on our promise of being innovative and effective. New frontiers will always be uncomfortable, and the discussions and decisions ahead will not be easy. Again, we should be happy that they are not. This is, after all, very challenging work.

Of greatest importance is how we resolve the differences of opinion. The Fund **must** move forward. Grant Agreements **must** be signed. Dollars must go to those on the front line who can use them effectively. Products must be purchased. People must be treated. All before the next Board meeting. This cannot happen if we retreat from making decisions where there is not consensus. Consensus gives us comfort, but bold decisions deliver results. The decisions you face at this meeting, in many cases, cannot be deferred. Operations at the Fund and at the country level are waiting for a clear way forward. We must take risks and move ahead – recognizing that the Fund will certainly make mistakes but that it has been oriented to learn from those mistakes, learn from these and quickly evolve. Our 10th disbursement will be better than our 1st. The Fund's policies on procurement in 2004 will be better than those adopted in 2002. But we need to build a foundation from which we can move forward and actually implement our collective vision.

On the basis of this orientation, **let me give a quick overview of the policy decisions you face** over the next two days:

Governance. The substantial and consistent engagement of the Board is critical to the Fund's success. You must make decisions in a way that is informed, and the Secretariat must be able to benefit from your participation in this venture. But we must be efficient. The governors of the Fund have a certain role to play, and there are lessons of governance that teach us how to ensure that this is done in a manner that is most effective for both you and the Secretariat. Rajat and Claudio have done a magnificent job and taking those best practices and giving us a way forward that will truly make the Fund an independent organization that is business unusual relative to our neighbors in Geneva.

- **Committees.** I believe that the most critical component of the Governance recommendations are on the existence and processes of committees. The Secretariat needs committees to make full Board meetings more effective, to serve as sounding boards, to enable consistent Board dialogue and to give certain subjects deeper consideration. But this process cannot carry forward as it has to date. There has been too much confusion and unhappiness, at high cost to you and the Secretariat. Trust and recognition that the full Board remains the decision-maker of the Fund will enable us to move forward with a much better process for committees.
- **Decisions between Board meetings.**
- **Conflict of interest.**

Proposals.

- **More robust TRP review.**
- **Increased transparency.**
- **Well functioning CCMs.**

Monitoring & evaluation.

- **Ongoing, focused reviews that stimulate real change and improvement.**
- **Active Board engagement.**
- **Local ownership of results measurement and reporting.**

Procurement. 50% of the dollars will be for products, especially medicines. Not doing procurement and supply management right means lost value. Far more perniciously, it can mean resistance – worsening the burden of disease when we are meant to reduce it. There is a real need for minimum standards to ensure that our grantees conduct these processes effectively. Policies on procurement,

including requests for information and basic guidelines on procedures, are not necessarily a burden to countries. If done right, they support countries and save resources, certainly over the course of a grant. And the Procurement and Supply Management Task Force has done it right. 15 of the world's premier experts on these subjects, who have previously been on different sides of the debate on some issues, worked through the technical depth and subtlety and have given us a set of recommendations, largely in consensus, that can move the Fund forward.

Resource mobilization. The purpose of the Fund is to attract, manage and disburse additional funds. We have proactively approached the management and disbursement of funds. We have yet to do the same to attract them. We are a financing institution that must have capital if it is to make investments that yield returns. Lots of capital. Billions and billions of dollars. That is what is needed, and we have shared this with you in a fact-based, bottom-up analysis. If you want us to continue to have proposal rounds, we need more money. How we are going to get that money is a question we will have to answer together in the months ahead, but agreeing on our needs is a task for now.

This is your landscape for the days ahead; it is certainly a full one. I want to thank my colleagues at the Secretariat and among the Board for the preparation of this material. Tremendous work has been done, and it represents real steps forward both in its depth and in its innovation.

Let me close with some thoughts on how we can do justice to this work:

First

Let us remain conscious of the context. Several good friends have said this week that the Fund faces a moment of truth, that we are at a turning point. I think that is right. And the implications of how we move forward are measured in lives. 16,000 people lost today. There is no time to lose. The eyes of the world are on us, the Global Fund. People have placed in us their great faith, their honest hope that we will make a difference.

Second

Let us work from an effective process. Our time together is limited. We have the benefit of a Chair and Vice Chair who will keep us on task, but let us hold ourselves to a high standard. Discussions should be focused. Interventions should be concise. Comments should suggest solutions. Decisions should be quick. Our effectiveness will be determined by our efficiency.

Let us commit to having the right attitude as we debate. We all should walk away from this meeting feeling slightly uncomfortable, because the need demands that we do things differently than before. We must operate on the basis of trust and mutual good faith. We must put political concerns second to a professional approach that is focused on the end objective: impact on real people living with and affected by these diseases in communities in urgent need. We must be bold rather than timid. We must prefer new innovations to the status quo. We must not be afraid of risk. The world demands it. Our future depends on it.

ANNEX 2

Committee Preferences Expressed

(preference shown in brackets on scale of 1– most preferred to 4- least preferred)

Committee: Governance and Partnership

Chair:

Eastern Mediterranean Region (1)
Eastern and Southern Africa (1)
Italy (1)
South-East Asia (3)

Membership:

Communities (1)
Developing NGOs (1)
Eastern Mediterranean Region (1)
Eastern and Southern Africa (1)
Foundations (1)
Italy (1)
Japan (1)
Private Sector (1)
Eastern Europe (Ukraine) (1)
Western Pacific (China) (1)
Latin America and Caribbean (2)
South-East Asia (2)
West and Central Africa (2)
World Health Organization (2)
European Commission (3)
Point Seven (3)
UK, Canada and Switzerland (3)
USA (3)

Committee: Resource Mobilisation

Chair:

Membership:

NGO (North) (1)
Private Sector (2)
UNAIDS (2)
Communities (3)
USA (4)
World Health Organization (4)

Committee: Portfolio Management and Procurement

Chair:

Foundations (1)
South-East Asia (1)
World Health Organization (1)
Eastern and Southern Africa (2)

Membership:

European Commission (1)
Latin America and Caribbean (1)
South-East Asia (1)

UK, Canada and Switzerland (1)
World Health Organization (1)
World Bank (1)
Communities (2)
Eastern Europe (Ukraine) (2)
Eastern Mediterranean Region (2)
Eastern and Southern Africa (2)
Foundations (2)
France (2)
Japan (2)
Point Seven (2)
USA (2)
Western Pacific (China) (2)
Developing NGOs (3)
Italy (3)
Private Sector (3)
UNAIDS (3)

Committee: Monitoring, Evaluation, Finance and Audit

Chair:

Point Seven (1)
UK, Canada and Switzerland (1)
UNAIDS (1)
USA (1)
South-East Asia (2)

Membership:

Point Seven (1)
UNAIDS (1)
USA (1)
West and Central Africa (1)
European Commission (2)
Developing NGOs (2)
France (1)
Italy (2)
NGO (North) (2)
UK, Canada and Switzerland (2)
World Bank (2)
Eastern Mediterranean Region (3)
Eastern and Southern Africa (3)
Foundations (3)
Japan (3)
Latin America and Caribbean (3)
South-East Asia (3)
Western Pacific (China) (3)
World Health Organization (3)
Communities (4)

ANNEX 3

POLICY ON ETHICS AND CONFLICT OF INTEREST

1. General Principles

1.1 The Global Fund to Fight AIDS, TB and Malaria (the Fund) was created to attract, manage and disburse additional resources through an innovative public-private partnership to make a sustainable and significant contribution to the reduction of infections, illness and death caused by HIV/AIDS, Tuberculosis and Malaria in countries in need. To achieve these goals, the Fund recognizes the need to bring to the table many interested stakeholders including recipient and donor states, for-profit and not-for-profit enterprises, and the international intergovernmental community.

1.2 Because of the diversity of legitimate interests and perspectives represented by these stakeholders, it is particularly important that the Fund operate in a balanced, ethical, collaborative, transparent, and open manner. All constituencies have interests, and these may lead to potential, actual and perceived conflicts of interest. This policy – provided for in Article 14 of the Fund By-Laws – provides guidance in identifying and addressing potential, actual and apparent conflicts of interest. It is based on clear definitions of potential areas of concern, a duty to disclose, and outlines procedures (including the establishment of a Conflicts Committee and a designated ethics official) for managing these conflicts as they arise.⁷

1.3 The purpose of this policy is to ensure fairness in the Board's decision-making, to protect the reputation and integrity of the Fund and its interests, and to ensure broad public trust and confidence in the Global Fund's decision-making and grant-making activities.

2. Definitions

2.1

(a) *Covered individual* means a Board Member, Alternate, member of any Committee, task force, Technical Review Panel, and any other official organizational component of the Fund, and employee of the Secretariat (including the Executive Director).

(b) *Associated Person* includes a Covered Individual's (i) spouse, parent, minor child, domestic partner, or (ii) any organization, corporation or government in which he or she is serving as an officer, director, trustee, general partner or employee, and that receives or may receive funding from the Fund or with which the Fund has an agreement, contract, or relationship; or (iii) any person with whom he or she is negotiating or has an arrangement concerning prospective employment.

(c) *Personally and substantially*. To participate *personally* means to participate directly, including, for example, consideration of a matter at a Board meeting, or direct and active supervision of a subordinate in a matter. To participate *substantially* means that the Covered Individual's involvement is of significance to the matter.

⁷ Note this point primarily covers conflicts of interest that might arise in Board discussions. The Committee on Governance and Partnership should be tasked with development of conflict policies to cover the TRP, the Secretariat staff and others as appropriate, including members of independent expert advisory panels established by committees of the Board.

(d) *Gifts* shall mean any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. These include services as well as gifts of training, transportation, local travel, lodgings and meals, whether provided in-kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred.

3. Conflicts of Interest

3.1 A conflict of interest arises when a Covered Individual participates personally and substantially in an official capacity in any particular matter in which, to his or her knowledge, he or she or an Associated Person has a financial [or other]⁸ interest, if the particular matter will have a direct and predictable effect on that interest.⁹ This includes situations:

- Where a Covered Individual's financial [or other] interests could affect the conduct of his or her duties and responsibilities with respect to the Fund or result in a reasonable perception that such a conflict exists;
- Where a Covered Individual's actions compromise or undermine the trust that the public places in the Fund, and
- In which a Covered Individual's actions could reasonably impair or appear to impair the Covered Individual's ability to act in the Fund's interest.

3.2 Conflicts of interest can include both financial [and non-financial] interests, and apply to both financial and non-financial aspects of the Fund's work (e.g., decisions about grant recipients, local fund agents, investments, purchases or sales of goods or services). Conflicts can also be broken down into two general categories: direct and indirect.

Direct conflicts arise when a Covered Individual or Associated Person has a direct interest in the action in question. Examples of such interests include: (a) persons taking actions that would affect their personal financial holdings or position in an organization or entity; (b) a Board member addressing a particular grant in which his or her government, entity, or organization will serve as principal recipient, implementing agency, local fund agent, or play some other direct project implementation role.

Indirect interests arise when a Covered Individual or Associated Person stands to receive a diffuse benefit from the action in question. An example of such an interest would include consideration of a proposal by a Board member where the country in question would realize general population health benefits, or in which non-governmental organizations or entities incorporated in its jurisdiction would receive benefits as a result of the grant, but in which the government or its entities would not directly participate in its implementation. Indirect interests are not included within this policy.

3.3 Covered Individuals shall not use their positions or information obtained therefrom to provide an unfair advantage for themselves (or Associated Persons),

⁸ The decision around whether this policy should cover just financial interests, or if it should also cover non-financial/other interests, should be determined with legal counsel.

⁹ With respect to those Board members and other Covered Individuals who serve on the Fund as representatives of national governments or entities, nothing in this document will be construed as to prohibit such person's participation in matters under consideration that will directly or indirectly affect the financial interests of such national government or entity, except that no Board member or other Covered Individual shall participate in the consideration of a specific funding request that has been submitted by that government or entity, or any decision through which the government or entity may receive a direct financial benefit (e.g., a grant or a contract), unless such participation has been authorized by the Board.

including cases involving grants for funding and other approvals and appointments.

3.4 This policy is not intended to provide an exhaustive list of all instances of actual or potential conflicts of interest, but rather to articulate the ethical principles the Fund will follow in addressing such conflicts as they arise. Each situation will depend upon the facts of the case, but decisions will be governed by the guidelines set out in this policy, which applies to all activities sponsored or supported by the Fund, public and private, for-profit and not-for-profit alike.

4. Transparency and disclosure

4.1 All Covered Individuals have a duty to disclose the existence of potential or actual conflicts of interest (as well as the nature of such conflicts) whenever he or she becomes aware that the Fund is considering an activity or transaction that may involve an actual or potential conflict for that individual.

4.2 All Covered Individuals serving in the Fund Secretariat or on any Fund body must complete and submit the attached "Declaration of Interest" [See Exhibit 3A].

4.3 Disclosure statements shall be updated regularly [term to be agreed] and shall be available for inspection by a designated ethics official at the Secretariat and, only as appropriate, by members of the Fund Board. Except for the purposes outlined above, these statements shall be maintained confidential.

5. Procedure when a Conflict of Interest Arises

5.1 Conflicts of Interest shall be disclosed to the Fund Conflicts Committee. The Conflicts Committee shall be a subcommittee of three members of the Board and shall be managed by a designated ethics official (a designated member of the Fund Secretariat). This committee shall keep a record of Conflicts of Interest and report annually to the Board. The designated ethics official shall be responsible for ensuring that relevant conflicts of interest, [and the actions taken to eliminate, reduce, and otherwise manage these conflicts,]¹⁰ are disclosed at or prior to any Board (or other relevant) meeting of the Fund.

5.2 It is the responsibility of each Covered Individual to immediately disclose in writing to the Conflicts Committee the existence of any Conflict of Interest. Material changes in these interests must also be disclosed as they arise and become known. Individuals are encouraged to consult with the designated ethics official or members of the Conflicts Committee for guidance if questions arise in the application of this policy.

5.3 It is the duty of the Conflicts Committee, with the assistance of the designated ethics official, to review these disclosures and to decide whether a Conflict of Interest exists and, if so, whether such Covered Individual may participate in any discussion of the issue that has given rise to the conflict. The Conflicts Committee may also, at its discretion, bring any conflicts issue to the entire Board (excluding the individual or individuals with potential conflicts) for discussion and determination.

5.4 When it is determined that a Conflict of Interest exists, the Covered Individual shall not participate in the matter. With respect to Board members, this means that the Covered Individual shall not vote or speak with regard to this matter in Board policy discussions. However, if the Covered Individual has objective information that may be useful to the discussion, the Covered Individual may alert the Board Chair/Vice Chair/ED and provide this information privately. As appropriate, the Board Chair/Vice Chair/ED may solicit information from

¹⁰ Please note that the bracketed text would only be included if the Board decides to adopt the alternate version of sections 5.4 – 5.6 contained in Exhibit 3B. If the only procedure for managing conflicts were to be recusal, then this language would be unnecessary.

conflicted individuals. In such an event, the Board Chair/Vice Chair/ED should then speak on behalf of the conflicted member and convey this information objectively to the rest of the Board. The Board Chair/Vice Chair/ED shall not have discretion to filter the information presented, other than to determine whether it is, in fact, objective and relevant to the discussion at hand.

5.5 Application of this procedure to consideration of Fund grant proposals. When the Board considers proposals in blocks, a country's interest shall generally be considered indirect, even though it may have a direct interest in a particular proposal. But when the Board considers specific proposals, the Covered Individual or Board Chair/Vice Chair/ED shall alert the group to a direct conflict of interest and follow the procedures outlined in this policy.

5.6 Covered Individuals with a Conflict of Interest shall absent themselves without comment prior to any discussion or voting in respect of the application or other issue. However, if such persons must remain in meetings in order to fulfil their administrative responsibilities, they shall not participate in any discussion regarding the application or other issue that has given rise to the Conflict of Interest.

5.7 The names of Covered Individuals with Conflicts of Interest, [as well as the extent of participation of that person in the relevant meeting] and the issue on which there is a notified Conflict shall be recorded in the minutes for that meeting.¹¹

5.8 Should a Covered Individual be found to have a Conflict of Interest that has not been disclosed as required above, or the Conflicts Committee has reasonable cause to believe that a Covered Individual has failed to disclose a Conflict of Interest, it will inform the Covered Individual of the basis for such belief and provide him or her with the opportunity to explain the alleged failure to disclose. If, after hearing the response and making further investigations as may be warranted, the Conflicts Committee determines that the interested person has in fact failed to disclose a Conflict of Interest, it shall notify the Board.

6. Gifts

6.1 All Covered Individuals and Associated Persons are prohibited from accepting Gifts of products and/or services in excess of USD \$20 from persons or entities with interests that could be substantially affected by the Fund.

7. Dissemination and Review of Policy

7.1 The Fund Secretariat shall distribute a copy of this policy to all Covered Individuals annually, along with a disclosure statement to be returned to the Conflicts Committee attesting that the Covered Individual has received and read the Conflicts of Interest Policy. The Conflicts Committee shall retain these statements confidentially.

7.2 Copies of the policy and the form for the disclosure statement shall be posted on the Fund Website.

EXHIBIT 3B: ALTERNATIVE PROCEDURE FOR MANAGING CONFLICTS OF INTEREST

5.4 If the Conflicts Committee determines that a Conflict of Interest exists, the Committee shall take all necessary steps to reduce, eliminate, or otherwise manage the conflict. Any identified conflict of interest must be eliminated or made subject to a plan for management before the Covered Individual can participate in

¹¹ As noted in section 5.1 above, the bracketed text here would only be included if the Board adopts the alternate version of sections 5.4 – 5.6 in Exhibit 3B.

the relevant Fund meeting or other activity (e.g., transaction, agreement, or contract).

5.5 In connection with any Conflict of Interest not previously disclosed, or for which a management plan is not in place, a Covered Individual must also disclose the existence of his or her interest to the Board, Committee, or Secretariat staff, prior to engaging in any meetings or decision-making related to the relevant matter. After such disclosure and discussion with the Covered Individual, this person shall leave the meeting while the determination of a conflict of interest is discussed and voted upon by remaining persons at the meeting. The Chair of the meeting shall inform the Conflicts Committee of all actions taken relating to such actual or potential conflicts of interest. The Conflicts Committee (with the support of the designated ethics official) shall review such actions and, if it believes necessary, take appropriate alternative actions.

5.6 A Covered Individual with an identified Conflict of Interest may make a presentation to the Board, Committees, or other groups, or engage in Fund-related work, but after such presentation, unless otherwise requested (and in accordance with the management plan agreed with the Conflicts Committee), he or she shall leave the meeting during the discussion of the transaction or other matter for which a Conflict of Interest has been determined. After exercising due diligence, the Board, Committee, or other group shall determine whether to proceed with the transaction or arrangement by a major vote of the disinterested persons. A Covered Individual who has an identified Conflict of Interest shall not be counted for determining a quorum for purposes of Board or Committee votes. The Covered Individual with an identified Conflict of Interest may not vote on matters related to the conflict and shall not be present in the meeting room where and when the vote is taken.

Rationale. This process would be more straightforward, and it would relieve the Board Chair/Vice Chair/ED of the burden of having to represent the conflicted individual in the discussion. The Board members are best able to present the relevant facts and it would be difficult and cumbersome from a process standpoint for the Board Chair/Vice Chair/ED to step aside and meet privately with the conflicted member in order to understand the facts/information well enough to be able to objectively share it with the broader group.

ANNEX 4 GLOBAL FUND DOCUMENTS POLICY

I. General Principles

The general policy of the Global Fund to Fight HIV/AIDS, TB and Malaria (the Fund) is to operate in a transparent and accountable manner, as outlined in section 3 of the Fund's Framework Document. The Fund will make the fullest disclosure of records possible, consistent with the rights of individuals to privacy, the property rights of persons in trade secrets and confidential commercial or financial information, and the need of the Fund to promote frank internal deliberations.

Information concerning the Fund's decisions and operational activities will be made available to the public in the absence of a compelling reason for confidentiality. This policy is based on the premise that a) the effectiveness of projects supported by the Fund will be strengthened by public access to information, and b) broad availability to the public of information about the Fund's projects will increase understanding and support of the Fund's mission, and increase transparency and accountability.

II. Disclosure Categories

1. Records Posted on the Web Site of the Fund.

- a. Minutes of each Board meeting, together with the full text of all decisions approved by the Board and accompanying documents.
- b. List of current Members of the Board, Alternates, Members of Board delegations, Members of the Technical Review Panel, Membership of all Committees, Expert Committees and other Advisory Panels.
- c. Current Rules and Procedures of the Board, Technical Review Panel, Committees, and any other Fund body.
- d. Annual Report of the Fund
- e. Approved Budget of the Fund
- f. Proposal Applications for Approved Proposals
- g. Core Documents, as defined in the Board Operating Procedures.

2. Records to be Disclosed Upon Request.

Subject only to the exceptions set out below and any restrictions or mandates imposed by applicable law, all Fund records shall be available for public disclosure upon request.

III. Applicability

For the purpose of this policy, "Fund staff" shall mean Members of the Board and their respective countries or organizations, Secretariat staff, members and staff of the Technical Review Panel, Committees, contractors, and other individuals who are entitled to receive non-public Fund records based on their relationship with the Fund. This policy applies to the Fund institutionally and to all Fund staff. For the purpose of this policy, "record" shall mean all recorded information of maintained by the Fund.

IV. Exceptions

Notwithstanding the general principle requiring full disclosure of Fund records, there are limited legal and practical constraints which may affect the Fund's ability to achieve full disclosure. These exceptions should only be triggered to protect the Fund's interests and the legitimate interests of those who deal with the Fund. Wherever possible, third party submissions to the Fund should be free of the type of information subject to these exceptions, such as business proprietary information, intellectual property claims, and other information requiring confidential treatment. In the event that such information must be submitted to the Fund, it should be notified to the Fund prior to submission, accepted by the Fund for treatment under one of the following exceptions, and marked for segregated treatment.

The Fund shall not disclose to the public, absent action by the Board dictating otherwise:

1. Records relating to internal deliberative process, including internal notes, memoranda, and correspondence among Fund staff, including documentation relating to internal deliberative processes, which includes activities of the Technical Review Panel and the Committees; provided, however, that Fund staff may consult, as appropriate for the purpose of soliciting expert input, with institutions and individuals outside the Fund having specialized knowledge of specific issues and may share information with them prior to consideration by the Board or its Committees.
2. Internal documents written by Fund staff to their colleagues, supervisors or subordinates, unless those documents are intended for public circulation in accordance with Fund policies.
3. Privileged information relating to legal advice and matters in legal dispute or under negotiation.
4. Personal or employment-related information about Fund staff, other than information directly related to the financial operations and budget of the Fund.
5. Intellectual property, business proprietary, or other protected information submitted by third parties, properly disclosed to the Fund and accepted by the Fund for confidential treatment.
6. Information related to procurement processes which involves prequalification information submitted by prospective bidders, proposals or price quotations, or records of deliberative processes.

If a record contains both disclosable and nondisclosable information, the nondisclosable information will be deleted and the remaining record will be disclosed, unless the two are so inextricably intertwined that it is not feasible to separate them or unless release of the disclosable information would compromise or impinge upon the nondisclosable portion of the record. If the text of a document would not be appropriate for public release with redacted treatment, if appropriate an abstract will be prepared and released in its place.

V. Cost

To the extent possible, and to the extent that it would be cost-effective, the costs of maintaining the above-mentioned policies should be recovered through the

collection of reasonable fees for use of document reproduction equipment and for provision of copies of printed material, in accordance with cost recovery systems to be determined by the Fund, and which shall include provisions for the waiver of any such fees in appropriate circumstances.

VI. Implementation

The Fund secretariat shall be responsible for the detailed implementation of this general policy.