



REPORT OF THE FIFTH BOARD MEETING

Outline: This report provides a summary of deliberations and a record of the decisions of the Fifth Meeting of the Global Fund Board held at the Mövenpick Hotel in Geneva, Switzerland, from Thursday 5th June to Friday 6th June 2003.

Summary of Decision Points:

It is recommended that the Board approve the attached Report as an accurate record of the Fifth Board Meeting.

REPORT OF THE FIFTH BOARD MEETING

Contents:

Agenda Item	Contents	Page
	Executive Summary: Decision Points Requiring Action	3
1.	Introduction and Welcome	6
2.	Appointment of Rapporteur	6
3.	Approval of Agenda	7
4.	Approval of Report of Fourth Board Meeting	7
5.	Report of the Executive Director	8
6.	Fund Portfolio Update	9
7.	Policy on Funding Proposals	11
8.	TRP Renewal	15
9.	Fiduciary Arrangements	17
10.	Monitoring and Evaluation Strategy	20
11.	Bylaws and Board Operating Procedures	22
12.	Private Sector Presentation	24
13.	Resource Mobilisation Strategy	25
14.	CCMs	27
15.	Partnership Forum	28
16.	Partnership Agreements	30
17.	Communications Update	31
18.	Legal Status Update	32
19.	Trustee Report	34
20.	Committee Report: MEFA	34
21.	Committee Report: PMPC	35
22.	Committees	36
23.	Other Business	39
24.	Wrap-up/Closure	40
Annex 1:	Report of the Executive Director	41

Executive Summary: Decision Points Requiring Action

1. Policy on Funding Proposals

1. The Board endorsed these principles for funding Round 3 grant obligations:
 - a. The Board may approve proposals and commit funds for two years up to the cumulative amount pledged until and including the current year.
 - b. A sufficient amount of cash and/or liquid assets to meet the full cost of two years of implementation of approved grants must be deposited with the Trustee or readily available on demand prior to the Secretariat signing a grant agreement.
2. The Board:
 - a. Asked the TRP to refine the recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval and requests the Secretariat, in consultation with the PMPC, to propose criteria* to be agreed by the Board for prioritizing TRP-recommended proposals, if sufficient funds are not available to immediately approve all TRP-recommended proposals.
 - b. Asked the Secretariat, in consultation with the PMPC, to develop options for prioritizing TRP-recommended Round 3 proposals, and options for the lower prioritized proposals, by the end of July, with information provided to the Board by mid-August, and bring these to the Board for approval at the October Board meeting.
3. The Board asked the Secretariat in consultation with the World Bank, other partners, PMPC and MEFA to develop a comprehensive policy on funding of grant obligations, for approval at the October 2003 Board meeting.
4. The Board asked the Secretariat in consultation with MEFA to define reserve levels as a contingency to fund successful appeals to be presented to the Board for approval at the October 2003 Board meeting.

2. TRP Renewal

The Board approved the following:

1. The list of persons selected for the TRP by the PMPC and the Executive Director as in Annex 2 of the PMPC Report (GF/B5/9).
2. The immediate launch of the TRP renewal process by the Secretariat for 2004, on the basis of the recommendations and lessons learned contained in the PMPC report (GF/B5/9).
3. The addition of a TB specialist to the TRP, if the TRP determines it is necessary.

3. Fiduciary Arrangements

1. The Board endorsed the policies on *Fiduciary Arrangements for Grant Recipients* one amendment.

4. Monitoring and Evaluation Strategy

1. The Board asked the Secretariat to take note of the points raised in the discussions on the proposed monitoring and evaluation strategy, and to make a revised version of the document available at the next Board meeting for the Board's decision.

5. Bylaws and Board Operating Procedures

1. The Board approved changes to Articles 20, 12 and 22 of the Bylaws (see full report for details):
2. The Board confirmed that the terms of office of the incumbent Chair and Vice Chair, at the date of entry into force of these amended Bylaws, shall have commenced on the date of their respective election.
3. The Board decided to defer the approval of 20.3 Election Procedure of the Board Operating Procedures until the next Board meeting.

6. Resource Mobilisation Strategy

The Board:

1. Approved the principle of a regular funding mechanism for the Global Fund;
2. Requested the secretariat, with Resource Mobilization and Communication Committee input, to further develop such a mechanism as part of the process to develop a comprehensive long term funding strategy* to be adopted by the Board at its Sixth Board Meeting in October 2003.

* with reference to the Board decision point 3 under Policy on Funding of Proposals.

7. CCMs

1. The Board endorsed the ***Guidelines on the Purpose, Structure, and Composition of the Country Coordinating Mechanisms*** and:
 - a. Approved the guidelines on CCMs as presented, including the amendment issues as Annex 3 revision 1.
 - b. Requested that the Governance and Partnership Committee continue to monitor the issue of CCMs.
 - c. Requested the Secretariat to report back on the case studies when the findings of these studies become available.

8. Partnership Forum

1. The Board mandated the Chair of the Board to form a Steering Committee for the Forum.¹

9. Partnership Agreements

1. The Board acknowledged the Memoranda of Understanding with UNAIDS and with the ILO, and requested the Secretariat to provide periodic reports on cooperation between the two parties under the agreement.

10. Legal Status Update

1. The Board endorsed the conclusion that the current arrangement and the legal status options suggested by Switzerland for quasi-intergovernmental organization or

¹ On 19 July 2003, the Board Chair and Vice Chair requested the Governance and Partnership Committee to review the Partnership Forum taking into account the issues raised by the Board and to make proposals, including Terms of Reference for the Steering Committee

adding immunities from jurisdiction for the Board and Secretariat to the current arrangement are not optimal.

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

11. Committee Report: MEFA

1. The Board adopted the Procurement Policy for the Secretariat as presented.
2. The Board appointed Ernst & Young, Ltd. as external auditor of the Global Fund.

12. Committees

1. The Board ratified the following appointments:
 - a. Dr. Francis Omaswa of the East and Southern African Constituency to Chair the Portfolio Management and Procurement Committee
 - b. Dr. Lieve Franssen of the European Commission to Chair of the Governance and Partnership Committee
 - c. Professor Adetokunbo Lucas of the West and Central African Constituency to Chair the Resource Mobilisation and Communications Committee
2. The Board endorses the following nominations for Vice Chairs:
 - a. PMPC: Mr Rajat Gupta of the Private Sector constituency
 - b. RMCC: Mr Jerome Baconin of France
 - c. GPC: Mr Rodrigo Pascal of the Communities constituency
3. The Board ratified the following increases in membership to the following committees:
 - a. PMPC Committee by five members, namely, China (Western Pacific), Eastern Europe, Eastern Mediterranean, Italy and Developed Country NGO
 - b. GPC by two, Private Sector and European Commission
 - c. RMCC by two, Latin America and West and Central Africa
 - d. MEFA by one, World Bank (provided the Bank provides in writing to the Chair their intention to recuse themselves on issues where a potential or real conflict of interest exists).
4. The Board noted that some procedures for managing Committees remain unclear and requested the Governance and Partnership Committee to review a series of issues for the October Board meeting (see full report for details).
5. The Board asks the Governance Committee to review the cost implications of various models to support broad participation of recipient delegations in the Governance of the Fund.

Agenda Item 1 Introduction and Welcome

1. The Chair, Secretary Tommy Thompson, from the United States of America, declared the Fifth Meeting of the Board of the Global Fund open, and welcomed the delegates to the meeting. He stated that it was his honour to be the Chair of this important body and expressed his appreciation to all of the delegates for their commitment and drive.
2. The Chair noted that he would endeavour to chair the meeting with a strict adherence to the Board's operating procedures and reminded the delegates of their important responsibility in this regard.
3. The Chair advised the Board members that he had recently appeared before the European Commission to discuss the need for more resources for the Global Fund. He also welcomed Dr. Gro Harlem Brundtland and thanked her for her outstanding work in leading the World Health Organization. He stated that he had met with her successor, Dr. Lee, the previous evening, and was confident that the relationship between the Global Fund and WHO would remain strong. He noted that he had also met with the Point Seven delegation in Stockholm, as well as various Government representatives in Germany on behalf of the Global Fund. He thanked all delegates who were a part of his recent meetings.
4. The Chair welcomed Mr. Shigeki Sumi, the Deputy Director General of the Multilateral Cooperation Department of the Japanese Ministry of Foreign Affairs, who was attending his first meeting as Board Member for Japan. He further welcomed the recently designated alternate for the West and Central Africa delegation, Mr. Urbain Olanguen Awono, Minister of Public Health of Cameroon.

Agenda Item 2 Appointment of Rapporteur

Decision

Introduction:

1. The Chair thanked Dr. Julian Lob-Levyt, representing the United Kingdom, Switzerland and Canada, for serving as Rapporteur during the Fourth Meeting of the Board, and proposed Professor Adetokunbo O. Lucas, the Board Member representing West and Central Africa, as the Rapporteur for the Fifth Board Meeting. This proposal was unanimously accepted.

Decision:

The Rapporteur for the Fifth Board meeting was designated as the West and Central Africa Board member, Professor Adetokunbo Lucas.

Introduction:

1. The Executive Director introduced the revised Provisional Agenda (document GF/B5/1 Revision 1) and asked for any comments.

Summary of Discussions:

2. The Delegate from the Point Seven delegation requested that the item on the Point Seven tracking study be deleted from the agenda, which the Chair accepted.

3. Delegates noted the importance of Resource Mobilization, and several suggested that this topic be discussed prior to the discussion on Policy for Approving and Funding Grant Applications. After a brief discussion, it was determined that additional time was required to accommodate these important items, and it was therefore suggested that the meeting begin 30 minutes earlier on the second day. In addition, the delegate from the European Commission suggested that the discussion on Committees be moved up to the first day so as not to run the risk of running out of time and leaving the meeting without clarity on this topic. The Chair noted that this possibility could be reviewed during the meeting.

4. Delegates were reminded that the Trustee report was available on the documents table; it had not been available prior to the meeting. It was requested that the Trustee Report be available earlier in future. It was pointed out that the Annual Report was still being finalised and would be brought to the Board for approval by email instead of discussed and approved in the meeting.

Decisions:

1. The Agenda was adopted with the following amendments: Fiduciary Arrangements will be presented before the item on the Monitoring and Evaluation Strategy on Day 1; Day 2 will begin at 8:00 a.m.; the item on the tracking study is deleted from the agenda.

Introduction:

1. The Report of the Fourth Board Meeting (document GF/B5/2) was introduced and proposed for approval.

Summary of Discussions:

2. Delegates pointed out that on page 20, number 4(e), no decision had been made. It was therefore suggested that this item be removed from the record. There being no objections to this change, the Chair instructed the Secretariat to remove this item.

3. Delegates remarked that under Agenda Item 1, point 2, the Minister from Rwanda was present at the meeting, but not the Ministers from Malawi, Swaziland and Ethiopia. A request was made to change the record of the meeting to reflect this. Without any objections, the Chair instructed the Secretariat to make the appropriate changes to the record in this regard.

4. Delegates requested that the report be briefer and more focused on the decision points in the future. In addition, delegates noted that on page 34, point 6, the paragraph was unclear and as this topic would be discussed during the Fifth Board meeting, the record should not pre-judge the outcome of upcoming discussion. It was therefore recommended that the second sentence be removed from the record, leaving point 6 as the first sentence only. There being no objections, the Chair stated that the record would be corrected accordingly.

5. Concerns were raised regarding the inconsistency between the TRP recommendation and the scores for the proposals. The PMPC was urged to draft selection procedures for the Chair and Vice Chair of the TRP as well as standards for scoring proposals and making recommendations to the Board.

Decisions:

1. The Report of the Fourth Board Meeting was adopted with the following amendments: remove 4e on page 20; correct that the Minister of Rwanda was present not the current listed ministers of Africa on page 4, item 2; page 34, paragraph 6: delete the last sentence of paragraph 6.

It was suggested by one delegate that the reports be shorter, with focus on actions and decisions.

Agenda Item 5 Report of the Executive Director	<u>Information</u>	<u>GF/B5/3</u>
---	--------------------	----------------

Introduction:

1. The Executive Director, Professor Richard Feachem, presented his report (included here as Annex 1).

2. During his presentation, Professor Feachem paid a special tribute to Maryan Baquerot, who tragically passed away a few weeks previously. The Executive Director praised his hard work and tireless efforts on behalf of the Global Fund, and the Board observed a moment of silence in his honor.

Summary of Discussions:

1. Delegates thanked Professor Feachem for his comprehensive report. Several delegates made specific mention of his energetic efforts at mobilizing resources for the Global Fund. Delegates expressed concern over the pace of grant signings and disbursements. In response to several questions on timing, the Executive Director stated that all Round 2 grants would be signed by the October Board meeting.

2. The representative from the United States clarified that the US pledge made by President Bush to the Global Fund was actually USD 1 Billion over five years (2004-2008). The delegate also stated that the recent authorizing legislation passed by the Congress and signed by the President only set a ceiling for the U.S. contribution to the Global Fund, and was not a new, larger pledge. Further, this legislation required that the U.S. contribution could not exceed 33 percent of total cumulative contributions from all other donors at the time of any particular disbursement to the World Bank.

3. A number of delegations pointed out that difficulties caused by staff turnover, and delays in hiring permanent personnel have constrained the Secretariat's ability to comprehensively engage in some countries. They suggested that as implementation begins, success at the country level will require coherent strategies and messages from the Secretariat, communicated effectively and often to improve understanding of all parties. Several delegates expressed concern over the pace of grant signings and disbursements, and one delegate emphasized the importance of demonstrating results as soon as possible in addition to moving money. In response to several questions on timing, the Executive Director stated that all Round 2 grants would be signed by the October Board meeting.

4. In response to a query from the EC, the Executive Director stated that the Secretariat would update the table immediately to reflect the total EC commitment to 2006 to be Euro 460 million.

Agenda Item 6 Fund Portfolio Update	<u>Information</u>	<u>GF/B5/4</u>
--	--------------------	----------------

Introduction:

1. Dr. Purnima Mane, Chief Fund Portfolio Director and Director of Asia, presented an overview of the fund portfolio activities, with an emphasis on progress made since the last meeting of the Board. As of June 2003, 57 grant agreements were signed, USD 32 Million was disbursed to 27 countries, second disbursements were made to Ghana and Haiti and up to ten more agreements were due to be signed before the end of the week. She noted that as of June 2003, 75% of approved Round 1 components had signed grant agreements, and progress was being made on the signing of approved proposals from Round 2.

2. Dr. Mane presented the average composition of the Country Coordinating Mechanisms (CCM) from the sample of 91 countries. In regard to the composition of CCMs, membership was composed as follows:

- 18% - Government Health Ministries
- 20% - Other Government Ministries
- 13% - UN/Multilateral Agencies
- 5% - Bilateral Agencies
- 19% - NGO/Community-Based Organizations
- 6% - Academic/Educational Organizations
- 5% - People Living with the Diseases
- 5% - Private Sector
- 4% - Religious/Faith-Based Groups
- 5% - Other (primarily Red Cross/Red Crescent Societies)

3. Dr. Mane advised the Board that there were a number of observations regarding CCMs that suggested that these governance bodies were evolving, however regional differences were noted. For example, broad participation of the private sector and civil society was observed in Africa and Latin America/Caribbean, while civil society participation in Eastern Europe was less than 10 percent. In addition, interesting developments were observed throughout the world, such as the CCM becoming a legal entity in Honduras, high political leadership of the CCM was seen in Haiti and South Africa, India was using sub-committees effectively, and the Uganda CCM had a strong role in advocating additionality.

4. Dr. Mane noted that the diversification of PRs continued to be a challenge, as Ministries of Health remained the most typical PR. An observation was made that there was an absence of clear, democratic processes of nominating the PRs (lack of consultation, absence of involvement of all stakeholders in decision making process). While more diversification of PRs is desirable it was noted that in some cases, private foundations were emerging as PRs (Chile, Haiti, Philippines and Serbia), and several countries assigned multiple PRs, including both government and NGOs.

5. Dr. Mane noted a number of lessons learned from experiences to date, as shown below:

- There was a need to avoid undue delays caused by the TRP clarification process;
- Improved communication of the Global Fund's minimal requirements before grants can be signed helped the CCMs and PRs prepare adequately;
- There was increasing speed observed in contracting LFAs, which was leading to faster grant signings;
- Ensure that suitable alternatives for procurement and supply management when PR capacities were found to be weak;
- Avoid duplication of PR assessments through improved access to previous work by partners;

- Actively encourage PRs to make use of their existing systems and work with development partners to strengthen capacities; and
- Ensure that reporting systems were flexible and adaptable to different country circumstances and existing systems.

Summary of Discussions:

6. Board Members thanked Dr. Mane for her comprehensive presentation, and several expressed their appreciation for the tremendous progress that had been made since the last meeting. Delegates stated that, while positive developments should be recognized, as a learning organization the Global Fund needed to also recognize the areas where improvements could be made. Delegates expressed concern over internal communications from the Secretariat, citing the need for two way communications and unnecessary comments made regarding grant agreements in Uganda and Rwanda.

7. Board Members also acknowledged the need to democratize the process for the selection of PRs, as this was viewed as an important element of the success of the Global Fund.

8. Board Members made the following requests for further information from the Secretariat:

- Additional information on the outcome of the recourse mechanism;
- Information on the process of how funds were re-allocated after a grant was signed for less than what was approved by the Board;
- Additional information on the actual functioning of CCMs;
- Information on links between proposals approved and the national development plans of recipient countries;
- Information on lessons learned which should be routinely distributed to all stakeholders, particularly as partners often assisted with proposal development and implementation;
- Feedback provided to the Fund from partners should be included in Fund reports.

9. Some delegates questioned the assertion that recipient countries were requesting guidelines, as they were deemed to be provided unsolicited by the Secretariat. Other delegates stated that the regional consultations were quite useful in clarifying policies and procedures, and thanked the Secretariat for these efforts.

Agenda Item 7	Policy on Funding of Proposals	<u>Decision</u>	<u>GF/B5/5</u>
----------------------	---------------------------------------	-----------------	----------------

Introduction

1. Mr Brad Herbert, Senior Director for Strategy, Evaluation and Programme Support, introduced the document ***Policy for Approving and Funding Grant Applications*** (Document GF/B5/5 Revision 1) as well as an additional

document, *Discussion Document on the Development of a Comprehensive Policy for Approving and Funding Grant Obligations*, which dealt with prioritizing technically sound proposals in a resource constrained environment. It addressed:

- The financial prerequisites for the Board in approving proposals and the Secretariat in signing grant agreements
- The prioritization of TRP-recommended Round 3 proposals in the event of limited resources;
- The preparation of a comprehensive policy on funding grant obligations;
- The definition of reserve levels as a contingency to fund successful appeals to be presented to the Board at the October 2003 Board meeting.

Summary of Discussions

2. The Chair emphasized the significance of this discussion given the potential shortfall in funds and the importance of making decisions to ensure that the proposals were approved based on technical merit and that the fund does not commit resources it did not have. He noted that the Board also needed to approve fiscal policies that would ensure a financially responsible approach to funding decisions for all future rounds. He stressed that these policies were vital for the credibility and long term viability of the fund.

3. The Chair introduced the first decision point to the Board for discussion and noted that these policies needed to be considered in a resource constrained environment.

4. Most delegates approved both key principles. However a number of delegates also expressed concern that it was difficult to approve the principles without a comprehensive report on the funding situation and the development of broader policies, including a strategic vision for funding grant obligations. The World Bank agreed to work with the Secretariat and committees to provide a draft policy paper by the end of July to be discussed at a joint PMPC/MEFA meeting.

5. In order to ensure that pledges received in 2004 would not be restricted to Round 4, thus leaving Round 3 under-funded, there was a motion to include 50% of the prospective pledges for 2004 in decision point 1(a) and to defer the decision on this item until the following day so that delegations could have time for informal discussion. Delegates considered however that without a clear understanding of prospective pledges, budgets and likely disbursement rates for 2004, there was little advantage in including the 50% and in deferring a decision. The motion was not approved. It was suggested that this issue should be considered within the terms of reference of the draft policy paper and be discussed in the relevant committees.

6. Delegates also suggested the need to consider funding obligations for the final three years of approved proposals in Rounds 1 and 2. It was emphasized that these proposals had been planned to achieve their impact over 5 years and that the Board should consider reserving funds for this purpose.
7. Several delegates expressed discomfort regarding the lack of focus on the proposals from the poorest and neediest countries and suggested that the Board ensure that funds would be available to fund all TRP-recommended proposals. The Secretariat was requested to provide information regarding the situation thus far regarding priority setting for Round 1 and 2 approved proposals.
8. The lack of adequate information on current disbursement and the likely rate of future disbursement resulted in a consensus decision by the Board to approve decision points 1(a) and 1(b) but to limit the decision to Round 3 only.
9. The Chair introduced the second decision point regarding the manner in which Round 3 TRP-recommended proposals should be prioritized.
10. A number of delegates expressed concern regarding the clarity between the remit of the TRP and that of the Board. Delegates emphasized that the TRP was a technical body and should not be expected to revise its current approach to facilitate the Board's prioritization of proposals for approval on the basis of additional criteria. Delegates further suggested that it was the role of the PMPC to advise the Board on the criteria for prioritization and the responsibility of the Board to approve the criteria.
11. Several delegates expressed concern that the Board had already agreed to, and CCMs had already been informed of, the Guidelines for Round 3 where the criteria the Board would use for prioritization beyond technical merit were poverty and disease burden. Some delegates suggested that the criteria should not be amended for Round 3 but that the TRP should be able to cluster category 2 proposals to facilitate the Board's prioritization. Some delegates emphasized that the Fund would lose credibility by selecting additional criteria for prioritizing Round 3 proposals at this stage after CCMs had invested significant effort under the established guidelines for Round 3.
12. The Chair of the TRP, Michel Kazachkine, informed the Board that although the main focus of the TRP was technical merit and feasibility, it would be possible to have a subtle sub-categorization within Category 2, providing sub-clusters of 2a, 2b and 2c in order to facilitate the Board's prioritization. He further suggested that as well as prioritization through disease burden and poverty, the Board could also consider the possibility of prioritizing those proposals which had failed in Round 1 and 2 but were recommended by the TRP for approval in Round 3.
13. The Secretariat further clarified that the TRP would not introduce new criteria for Round 3, but would use identical criteria as in Rounds 1 and 2. It was the role of the PMPC with the support of the Secretariat to formulate any new criteria for future rounds for the Board's approval. The Secretariat

underscored that any refinement of criteria should be consistent with the Global Fund framework document. The Secretariat worked with Board members to refine the decision text to encompass all concerns and this text was approved by Board consensus.

14. The Board also discussed the Optional Decision Point in paper GF/B5/5 Revision 1 (2b) which would decide on the process and timing by which the prioritization of TRP-recommended proposals would occur. One idea was to approve such a process at the October Board meeting. Some delegates expressed concern that it would be too late and would leave the Board open to conflicts of interest to leave approval of the prioritization options until the October Board meeting, when the Round 3 TRP-recommended proposals would also be approved. Several delegates considered that it would be very difficult to make this very important decision through email and teleconferencing and supported approval at the October Board meeting. One delegate also suggested that teleconferencing would be logistically difficult for developing country constituencies.

15. The Executive Director confirmed that approving both the criteria for prioritization and approving the Round 3 proposals for funding together at the October Board meeting would pose a considerable challenge. He highlighted difficulties for the Secretariat due to the limited time available to apply any agreed upon criteria to the Round 3 TRP-recommended proposals and submit this to the Board in time for consideration, discussion and approval.

16. The Board directed the PMPC to prepare a paper outlining the criteria for the prioritization of Round 3 proposals for consideration by the end of July for consideration by Board members. This would allow Board members adequate time to consult on the issues prior to the October Board meeting.

17. The Chair introduced decision point three. Delegates noted the vital need to develop a comprehensive policy on funding grant obligations, and highlighted the importance of both the PMPC and MEFA committees working closely with the World Bank on the policy. It was agreed that one of the important considerations of the policy would include the optimal use of cash, particularly in taking into account notional pledges from future years.

18. A suggestion to create a small task force with membership from the World Bank, PMPC, MEFA and the Secretariat to work on the policy document in July and propose policy elements to a joint MEFA/PMPC meeting to be held in September, was not accepted.

19. The Chair introduced the fourth decision point. A delegate requested the opinion of the Secretariat on the issue of the prioritization of funding for years 3-5 of the already approved proposals from Rounds 1 and 2. The Secretariat replied that commitment in principle for funding for years 3-5 of well-performing proposals had a high priority. The Secretariat expected a high rate of funding for the final 3 years of proposals in Rounds 1 and 2 as well as Round 3 and financial projections in relation to future income needed to reflect this. The fourth decision point was approved by consensus.

Decisions:

1. The Board endorses these principles for funding Round 3 grant obligations:
 - a. The Board may approve proposals and commit funds for two years up to the cumulative amount pledged until and including the current year.
 - b. A sufficient amount of cash and/or liquid assets to meet the full cost of two years of implementation of approved grants must be deposited with the Trustee or readily available on demand prior to the Secretariat signing a grant agreement.

2. The Board:
 - a. Asks the TRP to refine the recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval and requests the Secretariat, in consultation with the PMPC, to propose criteria* to be agreed by the Board for prioritizing TRP-recommended proposals, if sufficient funds are not available to immediately approve all TRP-recommended proposals.

*Based on the Framework Document and the Guidelines for Proposals for the Third Round
 - b. Asks the Secretariat, in consultation with the PMPC, to develop options for prioritizing TRP-recommended Round 3 proposals, and options for the lower prioritized proposals, by the end of July, with information provided to the Board by mid-August, and bring these to the Board for approval at the October Board meeting.

3. The Board asked the Secretariat in consultation with the World Bank, other partners, PMPC and MEFA to develop a comprehensive policy on funding of grant obligations, for approval at the October 2003 Board meeting.

4. The Board asked the Secretariat in consultation with MEFA to define reserve levels as a contingency to fund successful appeals to be presented to the Board for approval at the October 2003 Board meeting.

Agenda Item 8 TRP Renewal	<u>Decision</u>	<u>GF/B5/9</u> <u>Annex 2</u>
----------------------------------	-----------------	----------------------------------

Introduction:

1. The presentation on the TRP Renewal was made jointly by the Secretariat, Ms Hind Khatib-Othman, and the PMPC ad interim Chair, Dr. Lieve Fransen, with reference to Annex 2 of the report of the PMPC (GF/B5/9). They outlined the process and outcome of the TRP selection, seeking Board approval of the recommended list of new TRP members. They highlighted the shortcomings of this process and suggested that the selection process be reviewed and that the 2004 TRP renewal process be launched on the bases of the recommendations and lessons learned.

Summary of Discussions:

2. The ad interim Chair of the PMPC Committee summarized the process and results of TRP selection. The mandate of the PMPC regarding TRP selection was to fill eleven TRP posts: 3 HIV/AIDS experts, 1 malaria expert, 7 people with cross-cutting expertise, and possibly 1 tuberculosis expert. This recruitment profile was based on the assumption that current TRP members expected to serve for subsequent rounds would be willing and available to do so. However, because some of TRP members did not want to continue serving, many TRP posts would have to be filled for Round 4: 5 HIV/AIDS experts, 2 malaria experts, 3-4 TB experts and 9 cross cutters. She expressed the confidence of the committee that the quality of the list of selected members was sufficient to fill the current vacant TRP posts for Round 3, but she said that the committee was not convinced that the list developed for the current TRP selection process would be adequate to successfully fill TRP posts for subsequent rounds.

3. In presenting the results of the TRP selection, the PMPC ad interim Chair admitted that the outcome was not ideal. Among the noted faults were inadequate publicity for the TRP posts, especially in underrepresented regions, and CV screening, which disadvantaged those who have difficulty with English or did not present themselves well on paper. As a result the group of recommended new TRP members over-represented North America (24%) and Europe (36%) and under-represented Western Pacific (0%), Eastern Mediterranean (4%), South East Asia (8%) and Africa (16%). Gender distribution was considered satisfactory with 40% female and 60% male.

4. Delegates echoed the concern regarding poor regional distribution, emphasizing the under-representation of the Western Pacific region. They requested clarification on and discussed the TRP selection criteria. Notwithstanding the unequal regional representation, delegates reaffirmed their commitment to merit as the primary criterion for TRP selection but suggested that geographical knowledge be considered as part of the definition of merit rather than trying to achieve equal, regional representation. They expressed the need to define exactly what was meant by "cross-cutting expertise" and to ensure that the selection criteria were transparent to the applicants. Some delegates argued that the quality of the TRP rested only on its capacity to evaluate technical merit of proposals, and that the consideration of development and macroeconomic issues was not part of the TRP's mandate.

5. The ad interim Chair of the PMPC clarified that there were four steps to the selection process: (1) initial ranking of CVs by Health Systems Resource Centre (HSRC) as excellent, good, fair or not suitable; (2) short-listing of candidates performed by pre-selection panel of WHO, UNAIDS, World Bank and PMPC representatives; (3) short-list finalization by PMPC and recommendation to Board; and (4) Board approval. She assured the Board that the PMPC and the pre-selection panel prioritized candidates on the basis of merit and that they double-checked the HSRC ranking of candidates in a very transparent way, giving priority to merit and then gender and regional

balance. Delegates supported the approval of the group of TRP members selected.

6. Delegates endorsed the addition of a fourth TB expert in principle, but authorized the TRP to confirm itself whether it needed the additional TB expert. Some delegates suggested that an MDR-TB expert be added to the TRP, especially with regional expertise in Eastern Europe.

7. Delegates approved the review of the TRP selection process for subsequent rounds, emphasizing the need for active outreach to ensure regional representation and transparency in the criteria at each stage of the selection process. Some delegates requested that the TRP selection panel better reflect the composition of the Board. They agreed that the terms of reference for the TRP should be reviewed in the future, since it may be necessary to ensure that other cross-cutting expertise needs, such as macroeconomics and development, were met.

Decisions:

The Board approves the following proposal:

1. The list of persons selected for the TRP by the PMPC and the Executive Director as in Annex 2 of the PMPC Report (GF/B5/9).
2. The immediate launch of the TRP renewal process by the Secretariat for 2004, on the basis of the recommendations and lessons learned contained in the PMPC report (GF/B5/9).
3. Add a TB specialist to the TRP, if the TRP determines it is necessary.

Agenda Item 9	Fiduciary Arrangements	<u>Decision</u>	<u>GF/B5/13</u>
----------------------	-------------------------------	-----------------	-----------------

Introduction:

1. The document ***Fiduciary Arrangements for Grant Recipients*** (GF/B5/13) was presented by the Secretariat, Ms. Marie Rosencrantz. Monitoring Evaluation Finance and Audit Committee (MEFA) Chair Dr. Anders Nordstrom provided the Committee's comments. The Board was requested to endorse the policies on Fiduciary Arrangements for Grant Recipients as described in the document GF/B5/13.

Summary of Discussions:

2. Before the Board considered document GF/B5/13 for endorsement, the Chair of the MEFA Committee advised the Board that MEFA agreed with the principles stated in the document and made the following comments:

- The Global Fund's Fiduciary Arrangements are based on principles and should not be prescriptive;
- Fiduciary Arrangements must ensure sustainability as well as build upon local capacity;
- There remains some concern with the capacity of the LFA to perform the comprehensive list of functions required;
- The Fiduciary Arrangements, like other aspects of the Fund's operations, would have to take into account lessons learned as they are implemented;
- The Fiduciary Arrangements as described in the paper have not been adequately communicated to all stakeholders in a clear way. Much confusion remained regarding this subject area, and a strong communications effort is needed to help people understand.

3. Delegates congratulated the Secretariat and the MEFA Committee on their impressive work. They expressed great appreciation for and satisfaction with the document, ***Fiduciary Arrangements for Grant Recipients***, and endorsed the policies contained within it.

4. Delegates agreed that the Board should mandate MEFA to do an assessment and in-depth report on development of the Global Fund's LFA arrangements, including the demands, selection, cost, expenditures on, and development of LFAs. They considered that LFAs might not be the most cost-effective solution, particularly for small grants, and might be considered by some as a temporary measure to assure accountability in the initial stages of Global Fund implementation that needs review in the light of experience. They requested that these issues be reviewed with a report back to the Board, possibly at the first meeting of 2004. The MEFA Chair agreed to pursue an LFA assessment, but indicated that the concept needed to be tested to see how it works.

5. Board delegates agreed that the wording in paragraph 12 should be changed from "should not" to "must not" to read, "...the Local Fund Agents must not be involved in the design and implementation of the funded programs...".

6. Some delegates expressed concern for the excessive reporting burdens for Principle Recipients and workload for the Secretariat required by quarterly reporting. Some suggested that semi-annual or even annual reporting might be sufficient depending on the quality of oversight of reports to assure program and financial accountability, and advised reconsideration of the quarterly reporting based on actual experience.

7. Some delegates suggested that the success and effectiveness of the Global Fund's Fiduciary Arrangements rested not only on disbursing money safely and efficiently to PRs and sub-recipients, but also ensuring that the money was actually spent as planned. In Africa CCMs and PRs might lack the capacity to implement and effectively use the resources they received from all sources to fight HIV/AIDS, malaria and tuberculosis. Delegates suggested

that case studies be performed on CCMs and PRs to investigate why money might not have been spent, if unexpected delays begin to be seen once implementation begins in more countries.

8. In addition, delegates emphasized the importance of monitoring the functioning of CCMs more generally and urged the Secretariat to assist CCMs to increase their capacities, especially in the area of monitoring and evaluation. In particular, some delegates expressed concern that a self-assessments of CCMs in the request for continued funding beyond the initial two years agreed to in the first grant agreement, may not be sufficiently independent.

9. Citing examples of misconceptions regarding the Global Fund's fiduciary arrangements, Board members agreed on the need for better communication with PRs, CCMs and other stakeholders in this respect. Delegates suggested that the content of this document be translated into several languages and communicated via a variety of channels in a clear and consistent way.

10. Board members raised many points regarding PRs. Delegates questioned whether tension may arise in the arrangement of CCMs proposing PRs, and then the Secretariat approving the PR. Some delegates suggested that the Secretariat consider the technical capacity also of sub-recipients in addition to assessing the capacities of PRs to implement the program and coordinate with existing activities.

11. Delegates applauded the emphasis in the document on supporting local capacity and building upon existing systems (paragraph 15) but underlined the need to translate these words into reality. They urged the Secretariat to encourage local entities to become Principal Recipients, and to encourage international organizations to join the Global Fund in supporting local capacity building. Some delegates requested information on PRs with particular interest in the split between international versus national organizations as PRs to ensure that diverse organizations were being chosen as PRs. Delegates also expressed interest in seeing more evidence of use of existing systems, and SWAPs in those countries where CCMs approved their use.

12. More generally, delegates expressed the need for a strong and clear connection between the Global Fund's Fiduciary Arrangements and the Monitoring and Evaluation Strategy. Delegates requested that these strategies be better integrated as part of the effort to formulate a comprehensive policy on funding grant obligations to be undertaken by the Secretariat in consultation with PMPC and MEFA.

Decisions:

1. The Board endorsed the policies on ***Fiduciary Arrangements for Grant Recipients*** as described in the document GF/B5/13 with the following amendment:

- a. Page 5, paragraph 12: Local Fund Agents **must not** (replaces should not) be involved in the design and implementation of the funded programs.

Agenda Item 10	Monitoring and Evaluation Strategy	<u>Discussion</u>	<u>GF/B5/6</u>
-----------------------	---	-------------------	----------------

Introduction:

1. Mr Brad Herbert from the Secretariat referred delegates to the **Monitoring and Evaluation Strategy** (GF/B5/6) and made a presentation of its key features. The Global Fund's M&E Strategy focused on two levels: country level performance and the performance of the Global Fund as an organization. For country-level performance, various methods are proposed, including grant performance, CCM functioning and contributions to disease impact. He explained that country level performance indicators would gradually move from process indicators to coverage, and where possible eventually to impact indicators. At the country-level, the CCM would have an important role in monitoring the implementation of their proposals. For monitoring other key country-level priorities, the Global Fund would collaborate with partners. In addition, the Global Fund would contribute to joint efforts to monitor additionality of resources for the three diseases on two levels: total donor resource flows and country-level resource flows.

2. The Secretariat detailed the next steps in the process, including the fine-tuning of the M&E Strategy based upon the Board discussion, the development of a detailed M&E Work Plan, the clarification of the organizational structure and skills mix for the M&E team and the recruitment of the team. At the same time, the Secretariat had to ensure the initiation of monitoring activities in-country, support Portfolio Managers in reviewing country M&E Plans and assessments, consolidate data from approved proposals and progress updates and collaborate with partners and commission case studies.

3. The Chair of the MEFA Committee, Dr Anders Nordstrom, advised delegates that the Committee agreed with the principles included in the strategy paper, but had a few concerns as noted below:

- The strategy may be a bit too ambitious. He suggested that there was a need to find out what systems currently existed to better inform the development of the strategy;
- At the country level issues of quality and accessibility of data need to be addressed;
- There are too many different M&E instruments described, and it was not clear enough what the PR was responsible for and the role of the CCM in review and oversight;
- There was a need to emphasize the fact that the strategy was based on principles, not a prescriptive policy;
- There was insufficient detail outlined on what happens after the first two years;

- The Committee agreed that the M&E Unit should be housed in the Secretariat, but there was a need to ensure some form of independence, particularly of management of the M&E process, in monitoring the performance of the Global Fund as an organization;
- There are currently many external independently commissioned studies about the Global Fund, and there was a need to review how the Secretariat and grant recipients should be expected to deal with these given resource and time constraints, as even external studies not funded directly by the Global Fund will require time and effort of Secretariat and country partners;
- The Committee would like to commission certain thematic evaluations of direct interest to the Board.

Summary of Discussions:

4. Several delegates expressed concern that there were insufficient links between the M&E Strategy and the paper on Fiduciary Arrangements. Moreover, delegates felt that there was a need for additional clarity on the aspects of M&E to be conducted at the country-level. There were differing views on whether or not the M&E Unit should sit within the Secretariat and/or report directly to the MEFA Committee. However, delegates generally agreed that there was a need for some form of independence, and delegates would provide additional recommendations to the MEFA Committee.

5. Delegates expressed the strong desire to harmonize M&E systems at the country level as well as globally, and the need for the strategy to focus more on this. Where capacities were lacking, delegates noted that the Global Fund should concentrate efforts on capacity-building, with the goal of harmonizing systems to the greatest extent possible. It was emphasized that partners can contribute to the capacity building also through the CCM consultation process.

6. Delegates raised questions regarding the evaluation of CCMs, and the role of CCMs in evaluating performance, particularly at the two year point when decisions regarding continued funding were considered. There was a belief among several delegates that a conflict of interest existed, thus requiring external independent input of some sort.

7. The Secretariat summarized the discussion as follows:

- There was a need for greater linkages among policy papers;
- The Secretariat needed to consider the cost of M&E at the country-level;
- Systems needed to be harmonized with existing systems;
- The Secretariat needed to look into customer satisfaction;
- There was a desire to house the M&E Unit within the Secretariat, but there needed to be some assurance of independence; and
- There needed to be a better articulation of the expectations of CCM self-assessments, and a system of oversight or quality control to

assure that information used by the Board to decide on future funding was unbiased.

Decisions:

1. The Board asks the Secretariat to take note of the points raised in the discussions on the proposed monitoring and evaluation strategy, and to make a revised version of the document available at the next Board meeting for the Board's decision.

Agenda Item 11	Bylaws and Board Operating Procedures	<u>Decision</u>	<u>GF/B5/7 Annex 2</u>
-----------------------	--	-----------------	------------------------

Introduction:

1. The Chair of the Governance Committee, Mr Claudio Spinedi, introduced two Articles of the Bylaws that were under review. The first, Article 12, concerned the election and terms of office of the Chair and the Vice Chair. Specifically, the Board was asked to consider a change in the Bylaws to clarify how to accommodate renewals after one year among the two voting groups described in Article 15. The Committee recommended that the Bylaws be changed to elect both the Chair and Vice Chair for two year terms rather than one year renewable terms, while at the same time recognizing that some constituencies rotated their delegate each year, thus making it difficult to elect some delegates to two year offices. This issue will have to be discussed within individual constituencies.

2. The second issue, Article 20, concerned the decision-making authority of the Chair and the Vice Chair in-between Board meetings. The Committee presented two options for Article 20 to the Board for its consideration. The first option stated that the Chair would consult closely with the Vice Chair between meetings, and attempt to reach a consensus. However, if no consensus was reached, the Chair was empowered to take the decision. In the second option, The Chair and the Vice Chair were empowered to act together in taking a decision between meetings. However, like the first option, the Chair would be empowered to take a decision when consensus could not be reached.

Summary of Discussions:

3. Regarding Article 20, several delegates stated that the two options stated precisely the same thing, recognizing that there was a slightly more emphasis on "acting together" in the second option. Many delegates indicated that they would be willing to support either option, as there was no fundamental difference between the two.

4. Some delegates expressed the view that the second option was closer to the spirit of consultation and consensus that were embedded in the principles of the Global Fund. However, delegates also expressed a desire to not allow

the Chair to take a decision in isolation, but requested that the Chair “shall take the decision to the Board.” Several delegates stated that this suggestion was impractical, as the organization needed to function between Board meetings, and that delegates had to trust the Chair, who was acting on behalf of the entire Board, not his or her own delegation or voting group.

5. In regard to the terms of office, the Committee recommended that the Board adopt a change so that Officers were elected for a two year term, as opposed to a one year renewable term. However, the Chair explained that this was difficult for some constituencies, as some delegations elected its delegate on an annual basis, which would effectively make it impossible for these delegates to serve two year terms as officers of the Board.

6. While sympathetic to the position of delegates who were appointed for one year terms, several delegates noted the need for continuity, and thus supported two year terms of office for the Chair and Vice Chair. It was suggested that delegates who were appointed/elected to represent their constituencies for one year only should discuss this with their constituencies and adapt accordingly so to allow them to serve two year terms. In addition, a consensus emerged that this change should be retroactive.

Decisions:

1. The Board approved the following changes to the Bylaws:

a. Article 20: Representation

The Chair and Vice Chair (for matters which are within the responsibility of the Foundation Board) and the Executive Director (for matters which are delegated to him/her) are entitled to represent the Foundation in all dealings with third parties.

Between Board meetings, the Chair and the Vice Chair acting together, are empowered to take, on behalf of the Foundation, any decision within the responsibility of the foundation which they consider must be taken urgently without recourse to other procedures as provided in the Bylaws and the Board Operating Procedures. In case no consensus is reached between the Chair and the Vice Chair, the Chair shall take the decision.

Decisions taken between Board meetings shall be notified to the Board immediately with explanations on the urgency, and fully reported at the subsequent Board meeting. The Board will review and may modify or reverse these decisions.

b. Article 12: The Chair and the Vice Chair of the Board

The Foundation Board members will select the Chair and the Vice Chair of the Foundation Board from among their own voting members, provided that the two positions will alternate between voting groups

described in Article 15. The Chair and the Vice Chair will each be elected for a period of two years.

c. Article 22: Entry into Force

These amended Bylaws shall enter into force after their approval by the Foundation Board and the Swiss Supervisory Authority.

2. The Board also:

- a. Confirmed that the terms of office of the incumbent Chair and Vice Chair, at the date of entry into force of these amended Bylaws, shall have commenced on the date of their respective election.
- b. Decided to defer the approval of 20.3 Election Procedure of the Board Operating Procedures until the next Board meeting.

Agenda Item 12	Private Sector Presentation	<u>Information</u>	<u>GF/B5/18</u>
-----------------------	------------------------------------	--------------------	-----------------

Introduction:

1. The Vice-Chair of the Resource Mobilization and Communication Committee, Ben Plumley, introduced the Committee's report and the session on the Corporate Sector Resource Mobilization Strategy (GF/B5/18).

2. Mr Rajat Gupta, Board Member for the Private Sector delegation made a presentation on corporate sector resource mobilization. The study, which was conducted by McKinsey & Company, highlighted the following points. In order to maximize corporate support the Fund should pursue three broad strategies for resource mobilization:

- The Fund could mobilize relatively small cash contributions through a board-level appeal to corporations and corporate-led appeals to the public;
- The Fund should investigate cost effective ways to manage in-kind donations which represent a significant opportunity and are a good fit with corporate motivations;
- The Fund should promote in-country collaboration with the corporate sector, both in countries and on CCMs. In order to succeed these strategies need to build the required brand and organization to support them.

Summary of Discussions:

3. Board Members thanked the Private Sector for its very useful research and report on how the private sector could contribute to the Global Fund. It was stressed by Board Members that the "public-private partnership" needed to be strengthened. There were concerns raised about in-kind donations, with many

Board Members stating that cash donations should be the priority. The issues of the need for policies for in-kind donations and ethical guidelines on corporate donations were raised.

4. Jon Liden from the Secretariat announced that a corporate sector fundraiser had been hired and a candidate had been identified to work on branding. There had been initial contacts with very important PR agencies, and a contract had been signed with Publicis to work on establishing a brand for the Global Fund which would be presented at the Paris conference.

Agenda Item 13	Resource Mobilisation Strategy	<u>Decision</u>	<u>GF/B5/10</u>
----------------	---------------------------------------	-----------------	-----------------

Introduction:

1. The Vice-Chair of the Resource Mobilization and Communication Committee (RMCC), Mr Ben Plumley introduced the session on the Resource Mobilization Strategy. The Resource Mobilization and Communication Committee requested the Secretariat to provide an outline for a possible regular resource mobilization structure for the Global Fund. The paper ***Outline for a Regular Resource Mobilisation Strategy for the Global Fund*** (GF/B5/10) focused on the reorganization of the Global Fund's resource mobilization. A separate paper ***External Relations Update*** (GF/B5/11) provided an overview of recent and ongoing External Relations activities. Jon Liden outlined the principle of a regular funding mechanism for the Global Fund.

Summary of Discussions:

2. Board Members thanked the Committee for the work done on the papers. The issue of in-kind donations was raised and a recommendation was made that in-kind donations could include seconded staff members from the private sector working on private sector strategies.

3. There was a request for clarity on which committees were looking at which issues, as in-kind contributions were being looked at by MEFA, PMPC and again by the RMCC. Coordination needed to be taking place at the Secretariat to ensure duplication at committee level does not take place.

4. There was a request for the brochure to be translated into Japanese for use with the private sector in Japan. This translation should be funded by the Global Fund and the Japanese Government shall work closely with the Secretariat for its implementation. The Chair of the Board directed the Secretariat to initiate the translation.

5. There was an announcement from the Board Member from Latin America and the Caribbean that he had recently been awarded a cash prize in recognition of his work on HIV/AIDS. He regretted that due to the desperate needs in his native Brazil he would be giving the majority of the funds to

ongoing work in his own country but that he would also like to make a gesture of support to the Global Fund by making a donation of USD 50,000. The Chair thanked the member for his kind contribution.

6. The Chair of the Board thanked Ben Plumley from the Private Sector delegation for all his work as Vice-Chair of the Resource Mobilization Committee.

7. The Chair then introduced Mr Pierre André Wiltzer, the French Minister for Cooperation and French Culture, who would address the Board on the Global Fund supporters' conference planned for 16 July 2003 in Paris, to be hosted by the French Government. Minister Wiltzer said that the conference had been announced by President Jacques Chirac during the G8 meeting in Evian the week before and had received a very positive response. He summarized the goals of the conference as follows:

1. To draw world attention to the existence of the Global Fund and highlight its role in fighting the pandemics. The conference will provide an opportunity to publicize the fight against the diseases and to explain the Global Fund's function and its relationship to multi- and bilateral partners.
2. To look at the progress that has been made by the Global Fund during the 18 months since its creation in January 2002. Showing the world what the Global Fund has accomplished in such a short time in terms of proposals approved, programs underway, systems for monitoring and evaluation, financial transparency and strong communications will persuade new partners to join the fight and current partners to increase their contributions.
3. To invite sustainable contributions and participation in the Global Fund. The conference will provide an opportunity to invite broader support and to increase the base of its contributors, including greater private sector involvement. The guarantee of financial sustainability will be critical to the success of long-term programs and to the success of the Global Fund.

8. The Minister said that the invitation list would be broadly representative, and he asked for suggestions from Board members regarding the conference agenda in order to ensure its success.

9. The Chair thanked the French Minister and encouraged Board members to support the conference. Delegations thanked the French Minister for this initiative and expressed their support for the conference. Suggestions were made to include a session on ensuring predictable funding for the Global Fund; to ensure the participation of recipient countries, non-governmental organizations and people living with the diseases; and to take advantage of a valuable media opportunity to start making the Global Fund a household name.

10. The Chair then invited Mr Serge Tomasi from the French delegation to speak about the roundtable sessions planned for the conference. He summarized them as follows:

1. Why was the Global Fund created and what are its goals?
2. How does the Global Fund work? What are its mechanisms for political accountability, financial transparency, monitoring and evaluation, etc.?
3. How can we mobilize sustainable support and resources – financial and non-financial – for the Global Fund?

11. Mr Tomasi indicated that they would include speakers from recipient countries on the panels of each roundtable and were working with the Secretariat to identify countries with programs that were well underway.

Decisions:

The Board:

1. Approved the principle of a regular funding mechanism for the Global Fund.
2. Requested the secretariat, with Resource Mobilization and Communication Committee input, to further develop such a mechanism as part of the process to develop a comprehensive long term funding strategy* to be adopted by the Board at its Sixth Board Meeting in October 2003.

* with reference to the Board decision point 3 under Policy on Funding of Proposals

Agenda Item 14	CCMs	<u>Endorsement</u>	<u>GF/B5/7</u> <u>Annex 3</u>
-----------------------	-------------	--------------------	----------------------------------

Introduction

1. At its January meeting, the Board mandated the Governance and Partnership Committee to revisit the guidelines for CCMs. Mr Claudio Spinedi, the Chair of the Governance and Partnership Committee (GPC), presented these revised ***Guidelines on the Purpose, Structure and Composition of Country Coordinating Mechanisms*** as they appear in GF/B5/7 Annex 3. He asked the Board to approve the guidelines and suggested that the GPC continue to monitor CCM issues and request the Secretariat to follow up on CCM case studies for reporting back to the GPC and the Board.

Summary of Discussions:

2. Some delegations expressed concern that the guidelines did not go far enough. Points of concern included the question of a mechanism for monitoring or even accrediting CCM performance, rather than accepting self-assessment; accommodating special circumstances in countries where more than one CCM may be required; creating a requirement, rather than a recommendation, for gender balance on CCMs; dealing with a lack of diversity on CCMs, particularly with regard to communities affected by the diseases; how to determine the optimal size of CCMs; and how CCMs cope with their wide range of responsibilities and complex web of interrelationships. Other delegations defended the principle of having guidelines rather than rules and requirements for CCMs.

3. Numerous delegations made the point that good communication between CCMs and the Secretariat is critical and needs to be improved. They also suggested that the Secretariat could promote the exchange of information between CCMs so that best practices could be established. Delegations expressed their support for endorsing the revised CCM guidelines and suggested that the Secretariat produce a report on CCM performance measured against these guidelines for the Board in 2004.

4. The Developed Country NGO delegate recommended the addition of the following to the revised CCM guidelines:

“The Secretariat will also develop a mechanism for formal complaints and concerns arising from within the CCM and in the broader community, to be registered and dealt with in an open and transparent manner.”

5. The Chair of the Board asked the Developed Country NGO delegate to bring the addition to the October Board meeting for discussion at that time.

Decisions:

1. The Board endorsed the document - ***Guidelines on the Purpose, Structure, and Composition of the Country Coordinating Mechanisms*** - (Annex 3 of the ***Report of the Governance and Partnership Committee***), and:

- a. Approved the guidelines on CCMs as presented, including the amendment issues as Annex 3 revision 1.
- b. Requested that the Governance and Partnership Committee continue to monitor the issue of CCMs.
- c. Requested the Secretariat to report back on the case studies when the findings of these studies become available.

Introduction:

1. Mr Claudio Spinedi, the Chair of the Governance and Partnership Committee (GPC), introduced the subject of the Partnership Forum (reference GF/B5/7/Annex 4), asking that the Board decide on a location for the Global Fund's first Partnership Forum, mandate the Chair of the Board to establish a Steering Committee for the Forum, and mandate the Secretariat to contract an event organizer for the Forum.

2. Ms Dianne Stewart, Board Relations Manager, reviewed the Global Fund's requirement for a biannual Partnership Forum and outlined the work that had been done by the Secretariat and GPC to date towards preparing for the Forum. She reminded the Board that the purpose of the Forum is to create a venue for the input of stakeholders who are not normally represented on the Board. GPC is recommending a three-day Forum with up to 600 attendees in the first half of 2004. The Forum could possibly be linked to another conference or event so as not to waste the opportunity of having many key people in one place at one time, though she noted that having too many people could potentially dilute the purpose and outcomes of the Forum.

3. Ms Stewart indicated that more research was required before making any concrete decisions and that a steering committee was needed to take Forum planning forward and make recommendations to the Board at the next meeting in October. She said that if the Forum was to take place in the first half of 2004, some practical decisions needed to be made soon and that this should happen in parallel with developing the program and agenda. Arusha, Cape Town, Nairobi and Kampala were suggested as potential venues for the Forum. Ms Stewart observed that the host country should have high-level political commitment, Global Fund principles and mechanisms well-illustrated (CCM, etc.), active Global Fund programs, and conference facilities adequate for large numbers.

4. Mr Spinedi took the floor again to repeat the three decisions being requested of the Board and to observe that because some of the practical considerations, such as location, could dictate format and vice-versa, the decisions were interlinked and needed to be considered together. He added that the GPC was unanimous in agreeing that those directly involved with programs on the ground should be the most prominent participants, particularly those who had had no opportunity to date to voice their experiences.

Summary of Discussions:

5. Discussion on the Partnership Forum was vigorous. Regarding decision point one, many delegates felt that a location for the Forum could not be

decided that day due to lack of clarity on Forum objectives and that it should instead be a decision made by the steering committee based on very clear directions from the Board and further research. Some questioned the value of the Forum, voicing concerns about the expense and a lack of purpose and measurable outcomes, and asked whether the purpose of the Forum as outlined in the Bylaws could be met by the International Meeting to Support the Global Fund in Paris on July 16th. The legal counsel of the Secretariat was called to answer this question and responded that the July 16th meeting would not fulfil the requirements of the Bylaws, which describes the Forum as a gathering of an informal group of stakeholders.

6. Regarding decision point three, many delegates said that it was too early to hire an event coordinator for the Forum and that much more clarity was needed in terms of purpose and outcome before that could occur. Other concerns included the potential for the Global Fund to be broadly criticized for wasting money, and the timing issue, which could put Forum attendance in direct competition with the International AIDS conference in Bangkok in 2004 unless it were linked with this conference, something many delegates supported strongly for the potential reduction in travel expenses.

7. Delegates also recommended ensuring that visas could be obtained readily for all participants, as visa delays have resulted in attendance problems at events in the past, and maximizing every dollar spent on the Forum by identifying concrete outcomes and the value added of the event.

8. Delegates referred to Article 7 of the Bylaws noting that “The Foundation Board will establish criteria for participation and rules of procedure”. It was requested that this be implemented by the steering committee. It was also requested that the committee be established during the Fifth Board meeting to avoid it being formed as a matter of urgency between Board meetings.

9. A movement was made and seconded to close the debate and take a decision on point two only. The Chair called a vote and the request to establish a steering committee for the Partnership Forum was passed. The Chair indicated that he would consult with the Vice-Chair on setting up the steering committee and request mandate the committee to look at the possibility of linking the Forum to the Bangkok conference in 2004.

Decisions:

1. The Board mandated the Chair of the Board to form a Steering Committee for the Forum.²

² On 28th July 2003, the Board Chair and Vice Chair requested the Governance and Partnership Committee to review the issues taking into account the issues raised by the Board and to make proposals, including Terms of Reference for the Steering Committee

Introduction:

1. Mr Claudio Spinedi, the Chair of the Governance and Partnership Committee (GPC), presented letters of agreements with UNAIDS (GF/B5/7/Annex 5.1) and the International Labour Organization (GF/B5/7/Annex 5.2) for acknowledgement by the Board. He indicated that acknowledgement of the letter of agreement with the Inter-American Development Bank (GF/B5/7/Annex 5.2), which had been requested in the Board papers, was being postponed due to some proposed amendments.

Summary of Discussions:

2. Delegates welcomed the two agreements for the clarity they bring to the relationship between the Global Fund and the other organizations. Some proposed that agreements should be considered with UNICEF with regard to their programs launched last year on the transmission of HIV/AIDS and the prevention of mother-to-child transmission of HIV, and also with Roll Back Malaria and the Stop TB Partnership. The Secretariat's Executive Director confirmed that there were plans for agreements with these key partners.

3. Some delegates asked about memoranda of understanding (MOUs) with other partners, not just the large technical partners. The Executive Director responded that there were far too many partnerships to spend the time creating MOUs for each and that delegates must not have the impression that only those partnerships with agreements in place were those recognized by the Secretariat. Rather, MOUs were for partnerships that were particularly complex or involved, where a MOU could provide needed clarity. Delegates called for partners with MOUs to ensure they worked with partners at ground level in recipient countries.

Decisions:

1. The Board acknowledged the Memoranda of Understanding with UNAIDS and requested the Secretariat to provide periodic reports on cooperation between the Fund and UNAIDS under the agreement.

2. The Board acknowledged the Memoranda of Understanding with the ILO and requested the Secretariat to provide periodic reports on cooperation between the Fund and the ILO under the agreement.

Introduction:

1. Mr Jon Liden introduced this item by noting that the outline of the Annual Report is available in the Board Documentation (GF/5/12). The draft of the report was not ready, but would be prepared in July and sent to the Board. Video footage has started to be collected on the work of the Global Fund. The presentation focused on interviews with people in country talking about the Global Fund. Many partners are supporting the Fund in communication, including the Kaiser Family Foundation and Mr Liden expressed his gratitude for this support. The video was then screened.

2. There followed a short presentation on the new design for the website. The Secretariat noted the importance of the website as a communication tool for the fund. The present website did not correspond to the needs of the Global Fund and a new website with much more adaptive features such as extensive search functions and multiple languages is currently being developed and will be launched in September.

3. Mr Liden noted that other projects on communication are under preparation, including a pilot project to improve communication at country level.

Agenda Item 18	Legal Status Update	<u>Endorsement</u>	<u>GF/B5/7</u> <u>Annex 6</u>
-----------------------	----------------------------	--------------------	----------------------------------

Introduction:

1. The Chair of the Governance and Partnership Committee (GPC) introduced the topic of Legal Status Options for the Global Fund. The session was presented by Ms Dee Jay Mailer, Chief Operating Officer and Ms Dominique Hempel, Senior Legal Counsel for the Global Fund.

2. The Secretariat had been requested to examine the legal status options for the Global Fund given the shortcomings of the current arrangements. The Secretariat, through the GPC and with the assistance of the Swiss Authorities and expert consultants, reviewed the following options: quasi-intergovernmental organization; specialized institution with the UN; expansion of current arrangement adding Board immunities in Switzerland; and an intergovernmental organization, and presented the strengths and weaknesses of each.

3. In the days leading up to the GPC meeting on June 4, the Swiss authorities came forward with a significant new proposal for the Global Fund Legal Status. The proposal, if supported by the Swiss Federal Council, might grant immunities and privileges in Switzerland to the Fund's bodies (Board, TRP, and the Secretariat) equal to those granted to international organizations. This was a significant offer as it, among other benefits, gives the bodies and the Global Fund immunities from jurisdiction in Switzerland.

4. The GPC welcomed the proposal as a substantial improvement over the proposed quasi-intergovernmental status in terms of immunities, privileges and costs. It was also an important improvement over the current offer to extend immunities to the Board and the prospect of seeking intergovernmental organization status which would require a change in the Board structure to ensure governance by governments, and would be a long, burdensome process.

5. The GPC stated that the Swiss proposal was a significant one, that offered a clear way forward for the Global Fund. They recommend the Board ask the Swiss authorities to propose this option to the Swiss Federal Council.

Summary of Discussions:

6. The Board welcomed and thanked the Swiss Government for the proposal which was seen as a significant step forward and one which should be pursued.

7. A number of issues regarding immunity were raised. It was clarified that under the current legal structure (a private Swiss Foundation) Board Members could be held liable if lawsuits were filed in Switzerland against the Global Fund. Under the new Swiss proposal, the Global Fund and its bodies (Board members, the TRP and the Secretariat) would be immune from jurisdiction in Switzerland, thus protecting them from liability in lawsuits filed in Switzerland against the Fund.

8. A question was raised on how this proposal would affect people living with the diseases. It was clarified that this proposal would not impact people living with the diseases. However, separately, the Secretariat was pursuing improved medical coverage for short term staff with pre-existing medical conditions, AIDS, tuberculosis and malaria.

9. It was also clarified that this proposal did not provide immunities outside of Switzerland. Currently, the WHO provided some degree of immunity for Secretariat staff in certain countries outside of Switzerland, however these immunities were not extended to the Fund itself or Board members.

10. Several Board members requested a description of the proposal be sent in writing for review by the constituencies' legal counsels. It was agreed that the Secretariat would do so as soon as possible. It was mentioned that this proposal would be the first of such in Switzerland.

Decisions:

1. The Board endorsed the conclusion that the current arrangement and the legal status options suggested by Switzerland for quasi-intergovernmental organization or adding immunities from jurisdiction for the Board and Secretariat to the current arrangement are not optimal.

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

These decisions are based on the presentation *Legal Status of the Global Fund* given on June 6, 2003 during the 5th Board Meeting of the Global Fund, Geneva, Switzerland.

Agenda Item 19	Trustee Report
-----------------------	-----------------------

<u>Information</u>

Introduction:

1. Ms Kyung Hee Kim of the World Bank, the Global Fund's trustee, presented the main items from the Report of the Trustee which documents the status of the Global Fund's trust fund and related matters. She reviewed key trends, referring to the report, and she discussed the World Bank's recently developed standard set of monthly measurements for reporting to the Global Fund.

2. Ms Kim referred to the Monitoring and Evaluation, Finance and Audit (MEFA) Committee's review of the Trustee Agreement and reported that the World Bank gave a presentation to MEFA in April on the key functions of the trustee, which include management and investment of resources, execution of disbursements on the instruction of the Global Fund, and advice on international controls. It was agreed that this was consistent with Global Fund requirements, and the request for the Trustee to take on additional responsibilities was cancelled, though Ms Kim also noted that the World Bank had agreed to act as LFA in India in exceptional circumstances.

3. Ms Kim closed by noting that at the last Board meeting, the World Bank indicated that it would like to join the membership of MEFA, which is charged with responsibility for financial matters, as it was felt the World Bank could add significant value to the committee's activities. She said that she looked forward to a favourable decision in this matter.

Summary of Discussions:

4. In response to a question from one of the delegates, Ms Kim confirmed that Global Fund trust funds are mixed with other funds and invested according to World Bank guidelines, which are fairly conservative and have established benchmarks.

Agenda Item 20	Committee Report: MEFA
-----------------------	-------------------------------

<u>Decision</u>	<u>GF/B5/8</u>
-----------------	----------------

Introduction:

1. Dr Anders Nordstrom, MEFA Chair, introduced the outstanding items from the Committee Report. For the Fifth Board Meeting the MEFA committee was requested to look at a number of issues in terms of financial oversight and audit. In particular they were requested to: recommend a qualified external auditor for the Fund's financial statement; review the trustee agreement and performance and direct the Secretariat to negotiate new terms and fees from the trustee based on emerging Global Fund needs; recommend a procurement policy for the Secretariat which was reconciled with WHO requirements; and review an independent consultant remuneration scale presented by the Secretariat.

Summary of Discussions:

2. Delegates raised the issue of the fees charged by the World Bank as Trustee (equivalent to 0.2% of funds in trust for 2003). However, this was found to be competitive, as the typical fees charged by financial institutions for managing assets similar to those of the Trust Fund varied between 0.1% and 0.4%, and the Trustee performed other services for the Fund in addition to asset management.

3. An issue of clarity was raised on consultancy fees and how the Secretariat arrived at the consultancy rates. It was explained that a survey of other organizations was conducted and that the rates being used by the Global Fund were in line with other organizations.

4. The MEFA Committee recommended the appointment of Ernst & Young, Ltd. as external auditor of the Global Fund.

Decisions:

1. The Board adopted the Procurement Policy for the Secretariat as presented.

2. The Board appointed Ernst & Young, Ltd. as external auditor of the Global Fund.

Agenda Item 21	Committee Report: PMPC	<u>Decision</u>	<u>GF/B5/9</u>
-----------------------	-------------------------------	-----------------	----------------

Introduction:

1. The ad interim Chair of the Portfolio Management and Procurement Committee (PMPC) Dr Lieve Fransen asked to postpone this agenda item. She advised the Board that there were a few decision points that were not urgent, but required further discussion, and could wait until October. She explained that the most difficult issue would be the discussion regarding eligibility for proposals from upper and upper-middle income countries. She noted that there would likely be extensive discussions on this point and that the PMPC would need to factor in the discussion on the prioritization of proposals as discussed the previous day.

2. The Chair of the Board agreed to postpone the discussion and thanked Dr. Lieve Fransen for acting in the role of Chair of the PMPC. He further thanked Mr. Claudio Spinedi for his valuable contribution to the Global Fund in general, and his work with the Governance Committee. Mr. Spinedi thanked the Chair and the Board, and then advised the Board that there were no further issues to discuss in regard to the Governance Committee.

Agenda Item 22	Committees
-----------------------	-------------------

<u>Decision</u>	<u>GF/B5/15</u>
-----------------	-----------------

Introduction:

1. The Chair advised the delegates that after much consultation with the Vice-Chair and the Executive Director, he was pleased to announce the selection of the new Committee Chairs. He stated that he was aware that not everyone was on the Committee that he/she requested, and explained that it was impossible to grant everyone's wishes. He explained that some Committees had been expanded due to work loads. Furthermore he noted the following:

- Committees needed to work better in the future, and come to the Board meetings fully prepared with recommendations so not to leave as much open for the Board to decide;
- There appeared to be some duplication between Committees. There was a need to identify the responsibilities of each Committee, and if some Committees were overworked, responsibilities needed to be re-assigned; and
- The Secretariat needed to look at how to improve the operations of the Committees, as some issues were referred to different Committees. He asked the Board to pass along their recommendations to the Secretariat.

2. The Chair asked the delegates to ratify the following appointments:

- Dr. Francis Omaswa of the East and Southern Africa Constituency to Chair of the Portfolio Management and Procurement Committee (PMPC)
- Dr. Lieve Fransen of the European Commission to Chair the Governance and Partnership Committee (GPC)
- Professor Adetokunbo Lucas of the West and Central Africa Constituency to Chair the Resource Mobilization Committee (RMC).
- Mr Rajat Gupta of the Private Sector Constituency to Vice-Chair of PMPC
- Mr Jerome Baconin of France to Vice-Chair of RMC
- Mr Rodrigo Pascal of the Communities Living with the Diseases Constituency to Vice-Chair of GPC.

3. The Chair asked the delegates to ratify the following increases in the number of members as noted below:

- PMPC to increase by four members, with the addition of China (Western Pacific), Eastern Europe, Eastern Mediterranean and Italy;
- GPC to increase by two members, with the addition of the Private Sector and the European Commission; and
- RMC to increase by two members, with the addition of Latin America and the Caribbean and West and Central Africa.

Summary of Discussions:

4. Delegates questioned why the Chair of MEFA was not put forward, and then inquired as to the status of the World Bank's request to join the MEFA Committee. The Chair responded that there was no request in front of him, and the World Bank formally requested that they join MEFA, and expressed their disappointment that this was not formalized after the Fourth Meeting of the Board. The World Bank added that in response to potential questions regarding conflicts of interest, the World Bank would recuse itself from discussions and decisions when necessary.

5. The delegate from the Developed Countries NGOs expressed the view that the process for expanding the Committees was not transparent, and advised the Board of her constituencies' desire to be on the PMPC. The Chair responded that he would ask the delegates to ratify the addition of the Developed Countries NGOs to the PMPC, thus modifying the above to add five members to the PMPC, including Developed Countries NGOs.

6. The Chair referred delegates to Item 4 of the paper distributed prior to the session. Delegates expressed concern over the appearance of a conflict of interest if the Vice Chair of the PMPC represents the pharmaceutical industry. Other delegates noted that there was an Ethics Committee of the Board, and that this Committee should look into the appearance of a conflict of interest. Delegates further noted that there were members on the PMPC representing countries with state-owned industries, and asked that this also be looked at by the Ethics Committee. The Chair designate of the PMPC Committee queried the names that had been put forward for Vice Chair of that Committee since although he had nominated the constituency that was recorded he had not been informed that the constituency would be represented by another person. The Chair noted that it was the PMPC Chair who had the right to nominate his Vice Chair and he should do as he saw fit.

7. Delegates also suggested that in addition to the points included in Item 4, the Governance Committee should look beyond procedures and analyze all aspects. The Chair agreed and asked that Item 4 be modified to add that the Chair of the Governance Committee take up the structures, size, direction and duplication of responsibilities of Committees, as well as the costs referred to in item 5, and report back as soon as she can.

8. The Vice-Chair of the Board stated that he was concerned that delegates found the process for selecting Committee Chairs and Vice Chairs not transparent. He explained that they abided by the following principles during this task:

- Retain the current Chairs and Vice Chairs as much as possible;
- Add more members rather than re-shuffle members;
- All Committees did not require the same number of members;
- Chairs and Vice-Chairs needed to be divided between constituencies;
- The decisions were based on previous requests, not new requests;
- Requests were made for the commitment of qualified members for each constituency; and
- Strong Secretariat support was required.

9. In response to a question posed by the Chair, delegates expressed the view that the World Bank should recuse itself when there is a potential for a conflict of interest, that the World Bank should participate in matters beyond its fiduciary role, including Monitoring and Evaluation, and that as a non-voting member of the Board, it would not be able to vote in Committees either. It was suggested that the World Bank's Director send a letter to this effect.

10. Delegates requested information as to when the Steering Committee for the Partnership Forum would be formed. The Western Pacific Region expressed interest in participating on this Committee. A similar question was raised about the Ethics Committee, which was not formally established yet, as it was left undecided whether this Committee would be internal or external. The Chair noted that the Committee compositions would be decided at the October meeting.

11. Delegates requested clarification as to whether or not non-voting members could serve as the Chair and Vice-Chair of Board Committees. The Chair responded that non-voting members could serve in these roles, as a precedent had already been established.

Decisions:

1. The Board ratified the following appointments:
 - a. Dr. Francis Omaswa of the East and Southern African Constituency to Chair the Portfolio Management and Procurement Committee
 - b. Dr. Lieve Fransen of the European Commission to Chair of the Governance and Partnership Committee
 - c. Professor Adetokunbo Lucas of the West and Central African Constituency to Chair the Resource Mobilisation and Communications Committee

2. The Board endorses the following nominations for Vice Chairs:
 - a. PMPC: Mr Rajat Gupta of the Private Sector constituency
 - b. RMCC: Mr Jerome Baconin of France
 - c. GPC: Mr Rodrigo Pascal of the Communities constituency

3. The Board ratified the following increases in membership to the following committees:

- a. PMPC Committee by five members, namely, China (Western Pacific), Eastern Europe, Eastern Mediterranean, Italy and Developed Country NGO
 - b. GPC by two, Private Sector and European Commission
 - c. RMCC by two, Latin America and West and Central Africa
 - d. MEFA by one, World Bank (provided the Bank provides in writing to the Chair their intention to recuse themselves on issues where a potential or real conflict of interest exists).
4. The Board notes that some procedures for managing Committees remain unclear and requests the Governance Committee to review the following issues for the October Board meeting:
- a. Procedures for renewal of membership of Committees
 - b. Procedures currently in place in light of the experience of the last 8 months, including committee structure, size, mandates and duplicative agendas
5. The Board asks the Governance Committee to review the cost implications of various models to support broad participation of recipient delegations in the Governance of the Fund. It should ensure that clarification be provided on:
- a. How many delegates from each constituency should be funded to attend Board Meetings?
 - b. Should focal points from each constituency be funded to attend Board Meetings?
 - c. How many delegates from each constituency should be funded to attend Committee Meetings?
 - d. Should Committee members be funded to attend Committee meetings that occur before Board Meetings (pre-meetings) if they are not part of the Board Delegation?
 - e. Should Committee members be funded to attend Committee meetings that occur before Board Meetings (pre-meetings) if they are not part of the Board Delegation?

Agenda Item 23 Other Business

1. The Delegate from Private Foundations requested that an amendment be made to Decision Point 1(a), as it was felt that this decision was vague. Delegates discussed the advantages and disadvantages to clarifying the language, but in the end, it was decided that this and other decisions would need to be referred back to the PMPC for its full consideration, with recommendations presented to the Board in October.

2. Delegates recommended an amendment to Decision Point 2(b) by adding a phrase that provided "options for the lower prioritized proposals," which was unanimously accepted by the Board. [This change is reflected in Decision Point 2(b) on page 11].

Agenda Item 24 Wrap-up/Closure

1. Delegates expressed their satisfaction with the manner in which the Board Chair managed the Board meeting, and requested that in the future, all documents should be distributed three weeks in advance to provide adequate time for review. In addition, delegates asked the Chair to circulate “Roberts’ Rules of Order” or other guidance on how the meetings would be conducted.

2. The Chair thanked the delegates for their hard work during the Fifth Board Meeting, noted that the Sixth Board meeting would take place in Chiang Mai, Thailand, from 15-17 October 2003, and adjourned the meeting.

**FIFTH BOARD MEETING OF THE GLOBAL FUND
REPORT FROM THE EXECUTIVE DIRECTOR
RICHARD G.A. FEACHEM**

Friends and colleagues, may I add my greetings to that of our Chair. A very warm welcome to you all to the Fifth Meeting of the Board of the Global Fund. This is the first meeting led by our new Chair, Secretary Thompson, and our new Vice Chair, Dr. Suwit. We have, however, already benefited tremendously from their leadership and their hard work. They have been engaged constantly in the affairs of the Global Fund since their election in January, and I have benefited personally from their guidance and tireless efforts.

I want to pay particular tribute to Secretary Thompson's efforts in Europe in May. He had numerous meetings with ministers and delegations during the World Health Assembly, and he also undertook productive visits to Berlin, Brussels and Stockholm on behalf of the Global Fund. The benefits from these many discussions are already apparent. My thanks also to Dr. Suwit, who has shown incredible dedication in advocating for the Global Fund, and in contributing to the work of the Board and its committees.

Let me add my welcome to our new Board members: Mr. Shigeki Sumi from Japan, who is succeeding our friend and previous Vice Chair, Seiji Morimoto, and to Dr. Urbain Awono, the Minister of Public Health of Cameroon, our new alternate member for West and Central Africa.

One of your agenda items in the next two days is to renew the TRP, and I look forward to welcoming new TRP members to the family of the Global Fund. I would like to pay tribute to the extraordinarily hard and productive work of the existing TRP – to its leadership provided by Michel and Alex - and to all its members whether they are remaining with us or rotating off. The TRP continues to play a central and important role in the work of the Global Fund.

2003: HALFWAY THROUGH OUR MAKE OR BREAK YEAR

When we last met, I said 2003 would be our make or break year. 2002 was the year the Global Fund built its disbursement architecture, established its systems and staff, and adopted policies to guide our work. The second year of a new organization is often when the honeymoon ends, and critics ask if the world is better as a result. Is it? I believe that we have good progress to report. I believe that our clients – the millions of people living with and affected by AIDS, TB and malaria – are better off today than they were before a Global Fund existed. But we have not yet "made it". Tough and important challenges lie ahead. Allow me to summarize our progress by reviewing each aspect of our core business in turn: 'Raise It, Spend It, Prove It'. I will start with 'Spend It'.

Spend it – Money moving but pace must quicken

Our first and foremost task is to invest resources in effective programs to prevent and treat the three diseases. We must move money efficiently and accountably – with a lightness of touch that does not entangle our recipients in bureaucracy and with a degree of transparency that allows donors and all stakeholders to have a clear view of what we are financing. Currently, our task is to disburse initial funds to approved applicants from Rounds 1 and 2.

At the Third Board Meeting, there was frustration that proposals were approved but not signed. At the Fourth, there was hope as we put in place our procedures and began to sign grant agreements. Now there should be some satisfaction that we are making steady, sustainable progress. For Round 1, we need to sign agreements with 36 countries to commit to USD 567 million. By the end of this week, we will have committed 78% of this sum through agreements with 31 of these 36 countries. For Round 2, we need to commit USD 887 million through agreements with 73 countries. By the end of this week we will have committed 14% of this amount through completed grant agreements with 21 of these 73 countries. In total, we

have formally committed nearly USD 600 million to 49 countries. That is a long way from where we were in January. For Latin America, the Caribbean and Eastern Europe we have completed the signing of all Round 1 grant agreements and, by the end of next week, disbursement will be underway to all programs in these regions. In addition, we have disbursed (or requested disbursement for) just over USD 32 million to 27 countries. While this is a modest sum that must increase substantially over the next months, it represents a 50% increase from my last update to you on May 12 and it is rising steeply.

The negotiation and signing of agreements has itself resulted in progress at the country level. We have retained our focus as a financing mechanism, as we must do, but the process of moving from proposal to disbursement has been an enabler for broader success. Our Portfolio Managers have witnessed a stronger reliance on public and private partners to realize the vision of proposals. Technical partners have played a critical role in supporting countries at the local level. And NGOs, faith-based organizations and the private sector have become increasingly involved – through CCMs, as Principal Recipients and sub-recipients, and in implementation.

We have moved from rhetoric to reality in our efforts to ensure harmonization with existing donors. Round 1 proposals – which were written under severe time constraints and with a lack of clarity on Global Fund procedures – have been translated into arrangements that include linkages with PRSPs, funding of baskets, and integration with the effective procedures of existing donor funding. The Fund was designed to be flexible and adaptive to the needs of our recipients, and these recipients are now using this flexibility to ensure sensible and strategically aligned finance by the Fund – as one source of external funding in the fight against disease and the achievement of the Millennium Development Goals. Also, the procurement arrangements of the Fund's recipients are taking shape. The policies adopted by the Board, and the opportunity offered by them and by the Fund's magnitude of finance, have opened the door for new systems to procure and distribute quality medicines and products, and countries are working out the details of how to scale-up. There are questions that remain to be answered – by the Fund and by others – but your vision has enabled substantial strides forward, and both the Fund's clients and the broader market have responded favorably.

But this progress is not nearly enough. We are not yet achieving the scale to which the Global Fund is committed. We must urgently complete the task of signing grant agreements and initiating disbursements to all of Rounds 1 and 2. We must ensure that the processes and partners of the Fund enable recipients to absorb these funds in order to scale up prevention and treatment.

Before the processing of Rounds 1 and 2 is complete, we are once again receiving new proposals, continuing the tradition that you established in April 2002 of placing the cart firmly in front of the horse! In my travels in the last months, I have been delighted at the energy, enthusiasm and initiative with which stakeholders have approached Round 3. I see better mobilization of the capacity and expertise of faith-based organizations; I see planning to ensure more co-finance with the private sector; I see more inclusive processes in CCMs with greater involvement of NGOs; I see better cross-department coordination in governments to plan how best to receive and utilize new funds. Moreover, our bilateral and multilateral partners, as well as foundations and others, continue to work with applicants to help them design the most effective and efficient programs to fight AIDS, TB and malaria. Proposal rounds represent a carrot for this process, and the importance of ongoing rounds is affirmed by the experience of Round 3.

As of today, we have received over 200 proposals from about 85 countries requesting approximately USD 2 billion from the Global Fund over two years. Of note, 31 countries applying have not previously been approved for any grants by the Global Fund. Many more are reapplying for disease components that have not previously been submitted or which have not yet been approved. The figure of \$2 billion is about equal to what was requested in Round 2, and 63% of what we previously estimated for Round 3 in our financial prospectus. We must better understand the reason for this outcome. The vision of the Fund is to scale-up, by as much and as quickly as is effectively and efficiently possible, so that the world can

reach the goals that have been set, including 3 million people in poor countries on antiretrovirals by the end of 2005.

Given the size of the request and the resources available through the end of 2003, the Fund now faces a tough challenge. We are nearly USD 600 million short of the needed resources to fund Round 3, assuming an approval rate of 50%. How do we build on the existing review and approval process to ensure that, even in the resource-constrained environment that I hope we do not face, the Fund approves proposals that add most value to the fight against these diseases. Our goal should not be political compromise, but the right answer for communities living with and affected by these diseases. How can the Fund best process these proposals for their benefit? Both the substance of this challenge, and the procedure to get to the right answer, are up for discussion.

Let me finish my report on “Spend It” with a few words on performance-based disbursement. A central principle of the Global Fund is to be driven by results. But how do we do this in practice? Honestly, we do not know the answer, but we are committed to developing the solution by working from existing experience and providing the innovation necessary to implement a model that ties funds to performance. Thus far, we have translated our commitment into guidelines and procedures that minimize burden for recipients but maximize accountability and transparency. We have only just sent these materials to countries, and the test will be in the doing. That said, I am happy to announce that our first recipients – Ghana and Haiti – have now completed these forms, straightforwardly and without procedural burden. I have now approved second tranches of funding to be disbursed to these countries, which are showing demonstrated progress.

Our challenge ahead on performance-based disbursement is to put this system in full motion: receive disbursement requests, verify the information, and make promptly second and subsequent disbursements to all countries where good work has been demonstrated.

Prove it – Early results and good reports with much more to achieve

How, then, are we doing on “Proving It”? The best part of any day for me is when a Portfolio Manager or Director reports on what the Fund’s dollars are doing on the ground. What are we buying? Are we saving a life today because of our finance? The answer is yes. I reported a month ago about people on ARVs in Haiti, DOTS training in China and treatment in Mongolia, and bednet distribution in Tanzania. I can say today that Sri Lanka has purchased 10,000 bednets for 10,000 families who will receive them beginning this month. In Rwanda, a training program that will reach 75% of the country’s healthcare workers is underway, and ARVs have been ordered so that people living with HIV will be on therapy this month. In Honduras, 500 people living with HIV will begin ARV treatment over the next month, and by the end of the year 2000 will be on ARVs, because of Global Fund finance. And in China, training will move to treatment, with DOTS coverage extending from a population of 326 to 395 million.

Of course, this is not nearly enough. When we next meet, I must be able to report many more lives saved and services delivered. Also, we must have in place by then a robust monitoring and evaluation system to capture data from our grantees more systematically. These data will come from our performance-based disbursement system and from several other sources – as set out in the M&E Strategy Paper which you are reviewing at this meeting. We will be working closely with our recipients and our bilateral and multilateral partners – and with the Gates Foundation – to strengthen M&E systems and to harmonize our collective need for timely and accurate information.

Beyond progress in countries, proving it also entails showing that the Fund is functioning as an effective financing mechanism. A comprehensive report on that subject was issued a month ago by the US General Accounting Office, and the news, I believe, is good. According to the GAO, we have made noteworthy progress in establishing our governance structures, oversight systems and grant-making process. Where we have room to grow, we are implementing constructive improvements. The type of critique provided by the GAO is healthy and necessary for the Global Fund to keep evolving at a quick pace. We must not be

complacent. We encourage constructive feedback that is forward-looking and solution-oriented. In that spirit, we welcome the Tracking Study being managed by the London School of Hygiene and Tropical Medicine, which is looking at the effect of our operations in four of our 93 countries. This will provide good insight, and we are working with the study team to ensure that their analysis is well informed. The challenge of this and other reviews of the Fund is to keep them constructive and to act quickly to respond to what they teach us.

Proving it is only meaningful if we are able to communicate our results. The Fund has made tremendous progress in communicating who we are and what we are doing. Over 60 articles mentioning the Fund appeared in the dozen leading North American and European newspapers in May. Notably, coverage in national African media was roughly equal. Today you will see a film produced to show our progress, and another will air on July 16 in Paris. We have update materials to distribute, including a pocket pamphlet, a 2 and 4 page update, and our first brochure. Our Annual Report is in production, and our website is being upgraded to provide an unprecedented degree of transparency, including downloadable approved proposals, grant agreements and disbursement requests. We have also formed a partnership with Publicis – a global leader in marketing – under which they will support our branding campaign. Are we a household name yet? No. But we are getting there! I must pay special tribute to Jon Liden for leading this leap forward, and give thanks to Gro Brundtland and the WHO for lending his expertise and commitment to the Global Fund at very short notice.

Raise it – Two donors in the lead, but billions still to be raised

This improvement in communication has helped tremendously our efforts to raise new resources. We are still short of resources for Round 3, to say nothing of what we need in the coming years for new rounds and the renewal of existing rounds. The less we mobilize now, the more we will need to raise in 5 or 10 years, as these pandemics become far worse.

There is good news to report on resource mobilization, with two donors leading the way. When we last met at the January Board Meeting, President Bush announced a five year commitment to the Global Fund of USD 1 billion. Since then, the US Congress and the President have passed into law authorization of up to that same amount for 2004 alone. The actual amount appropriated will vary from this target, but it signals a substantial short-term contribution to match the President's long-term commitment. What the US provides, in any case, will be based on a challenge – it will contribute 1 dollar for every 2 contributed by others, up to the maximum amount that is appropriated. There are no formulas for giving at the Global Fund, but this simple model has enabled our other donors to conceive of a wholly new magnitude of giving. And, it must be noted, the US generosity to the Fund is paired with an ambitious bilateral program to provide comprehensive support to 14 highly affected countries in Africa and the Caribbean.

In Evian this week, and in a meeting with me two weeks earlier, President Chirac praised US contributions to the Fund. He has himself shown France's commitment by increasing its contribution to 150 million euros per year – a tripling of their current annual pledge. In addition, President Chirac has given us a powerful new vision: that Europe also commits USD 1 billion – a challenge to the US and the world. He has personally advocated on behalf of the Fund with European Heads of State and the European Commission to meet this goal. Other European donors have already stepped forward, with the UK extending their pledge by USD 80 million through 2007, Italy affirming an additional 200 million Euros in the short-term, and the European Commission pledging at least 340 million Euros through 2006.

On behalf of the millions of affected communities whose lives we are here to improve, I thank France and the US for their leadership, and I also thank the UK, Italy, the European Commission and all donors to the Fund for their strong support. They have all agreed on the need to fight these diseases and, as part of the solution, to fully finance the Global Fund. With the prospect of up to \$1 billion from the USA and up to \$1 billion from Europe, we have the task of raising a third \$1 billion from all other sources – giving us the total of \$3 billion that we need through 2004. This third \$1 billion must come from donor countries such as Australia, Canada, Japan, and New Zealand – some of which have already given generously

to the Global Fund – from new donors, such as oil-rich states, as well as from foundations and the private sector.

Which brings me naturally to the need to increase the role of the private sector in the work of the Global Fund. Beyond existing support to the Secretariat, which is substantial, and co-financing of proposals submitted to the Fund, which is evident in Round 3, we must greatly expand private contributions both in cash and in kind. Cash contributions are being pursued, particularly through mechanisms which would give the Fund a very small share of a very large number of transactions, as in the financial and retail sectors. The private sector delegation have conducted a comprehensive pro bono study which, building on discussions with three dozen companies, points the way for the Global Fund to take full advantage of potentially large in-kind contributions. It is essential that we have made substantial and tangible progress on these topics by the time of our July 16 meeting in Paris.

Can we rise to these challenges together? Absolutely. And when I need to remember what we are capable of, I look to our colleagues from affected communities and see what they are capable of. As many of you know, they have begun a campaign – “It Starts With Us” – to mobilize contributions to the Global Fund from their own resources. They that are fighting these diseases most directly, most personally – are leading the way with their own generosity. Thank you for continuing to inspire the rest of us and reminding us why these resources are so desperately needed.

LOOKING AHEAD: THREE IMPERATIVES FOR CONTINUED SUCCESS

Allow me to conclude by reflecting briefly on other imperatives for our collective success, activities where the Global Fund may not be in the lead – given its focused role as a financial mechanism – but that are nonetheless critical for the impact of the Fund’s finance to be maximized.

One imperative is in-country technical assistance. Countries require TA so that they can achieve their targets to prevent and treat AIDS, TB and malaria, with the help of finance from the Fund and others. This support must be sourced broadly. Multilaterals have a strong role to play. Gro Brundtland has laid a firm foundation from which JW Lee will build an ever stronger and more effective role for WHO, now with the help of our friend and colleague Paolo Teixeira. The World Bank and UNDP must ensure development linkages at the country level. UNICEF must ensure appropriate focus on orphans and vulnerable children. The ILO is mobilizing greater involvement by local business and trade unions. And UNAIDS has the task of coordinating this response, both globally and with the range of stakeholders at the country level. This role which has never been more important.

Bilateral support is equally critical. Bilateral programs work on the ground to support countries and their priorities comprehensively. This is necessary to ensure that our funding is not vertical, but supportive of improved health systems. The Fund is meeting with DfID this month to discuss in detail how we can better support linkages to SWAPs and PRSPs. USAID is mobilizing drug management expertise to improve procurement and distribution of health products in country. Germany’s GTZ has made stopping AIDS a cross-sectoral organizational priority and is mobilizing all its regional and personnel structures to further that goal. NORAD, as part of its broad range of activities, has commissioned a consultant to do in Mozambique what may be useful in many more settings – namely to fully reconcile the funding for AIDS, TB and malaria coming from multiple donors and recommend how to best coordinate these flows. And there are many more good examples.

NGOs and the private sector can also – and must – provide technical assistance. NGOs use modest funds to maximum effect, and they can guide others on how to manage funds and leverage capacity. The private sector in-country represents an incredible opportunity. Companies already implementing ARV workplace programs, like Anglo-American, Coca Cola, and Heineken, can teach others about information management and patient tracking systems. Marketing firms can help maximize the value of funds going to mass media campaigns. This, too, is TA, and it has an important role going forward.

A second imperative is greater mobilization of the leadership of developing country governments. Governments are key to the success of efforts to fight these diseases. They must not work alone, but their leadership and capacity must be a foundation on which programs build. The governments represented here have been leaders in the global fight against these diseases, but there is a lot to do to further mobilize all of the developing country governments to which we are committing finance. Greater and more vocal political commitment is required. Conservative approaches to this fight will yield conservative results. Increased local spending is required – on these diseases, but also more broadly on health and development. How else can the Fund be additional? Appropriate management is required. The programs that the Fund and other donors are helping to finance are large additions to existing work plans. These programs need more capacity and improved management. And there must be greater, more genuine cooperation with civil society. Not for the sake of CCM signatures on a proposal, but towards the goal of true partnership that brings civil society – NGOs, communities, faith-based organizations and the private sector – into the planning and governance process at the local level.

A third and final imperative that I will mention is the market response to increased finance. The Fund is connected to a number of markets, and our funds will only yield outputs if these markets respond. First, we must look to the products and commodities that we are purchasing. Is there sufficient manufacturing capacity to produce the necessary volume of bed nets and artemisinin-based derivatives, or MDR-TB medications, and antiretrovirals to meet the expected demand? The answer is no. Is the current framework of international agreements such that the full range of eligible manufacturers of these products have confidence that their products are open for export to recipients? Again, the answer is no. Disagreement on different aspects of TRIPS and Doha must not hold back the clear and public consensus on AIDS, TB and malaria. There is no greater market shortage than human resources. Many countries lack sufficient doctors and nurses – and, perhaps more importantly, social workers, pharmacists and counselors – to scale up the fight against these diseases. Moreover, it is these resources more than dollars that will enable countries to improve health systems in a sustainable way. I don't have the answer to this challenge, but it is part and parcel of the set of imperatives we face to stop TB, to roll back malaria and to turn the tide of HIV/AIDS.

[Pause for personal reflections on the leadership, contribution and commitment of Gro Brundtland and Maryan Baquerot of the World Health Organization, both of whom were critical to the creation and success to date of the Global Fund. Also, a moment of silence to mark the passing of Mr. Baquerot.]

IN CONCLUSION

The Global Fund has made great progress and faces important challenges. But the Global Fund is one element in a broad solution and a broad family of partners. We must succeed together, or not at all. As stakeholders of the Fund specifically, I encourage us all to continue to play two roles with equal enthusiasm: constructive critic and committed cheerleader. We do a good job at these meetings of being critics, but we must also be actively engaged cheerleaders, advocates, ambassadors. We have done as well as we have because of your commitment to be both, but we must do better, we must do more.

This Board Meeting will advance our work towards the achievement of our shared vision. I thank you all for your commitment, your support, your good humour and for the decisions that you will take – and the guidance that you will provide – during this meeting.