



GF/B7/2

## Report of the Sixth Board Meeting

This document presents the draft Report of the Sixth Board Meeting and includes all decisions made at that meeting. The Report of the Sixth Board is subject to ratification by the Board of the Global Fund at their Seventh Board Meeting on 18 - 19 March 2003, Geneva, Switzerland.

Accompanying documentation from the Sixth Board meeting is available at [www.theglobalfund.org/Board/Sixth Board/Board documents](http://www.theglobalfund.org/Board/Sixth Board/Board documents) or by writing to [board@theglobalfund.org](mailto:board@theglobalfund.org).

Decision points are clearly indicated. Bold text indicates follow-up action required.

## Table of Contents

Agenda Item 1: Introduction and Welcome .....	3
Agenda Item 2: Approval of the Agenda .....	3
Appointment of the Rapporteur.....	3
Approval of the Report of the Fifth Board .....	3
Decision Points: .....	3
Agenda Item 3: Report of the Executive Director.....	4
Agenda Item 4: Briefing on 3 by 5 from WHO and UNAIDS .....	4
Agenda Item 5: Comprehensive Funding Policy .....	5
Decision Points: .....	6
Agenda Item 6: Report of the TRP, Including Round 3 Funding Decisions .....	8
Decision Points: .....	11
Agenda Item 7: Round 4- Funding Forecast, Timing and Renewal of Guidelines	12
Decision Points: .....	13
Agenda Item 8: Monitoring and Evaluation Strategy.....	13
MEFA Committee .....	13
Decision Points: .....	14
Agenda Item 9: Partnership Forum .....	14
By-laws and Board Operating Procedures .....	14
Committee Rules and Procedures .....	14
Decision Point: .....	15
Agenda Item 10: Resource Mobilization and Communication Committee.....	16
Decision Points: .....	16
Agenda Item 11: Portfolio Management and Procurement Committee.....	17
Decision Points: .....	17
Agenda Item 12: Governance and Partnership Committee .....	21
Decision Points: .....	22
Agenda Item 13: Draft Budget 2004 .....	23
Decision Points: .....	23
Agenda Item 14: Communications .....	24
Agenda Item 15: Calendar .....	24
Decision Point: .....	24
Information Sessions Parallel to the Executive Session .....	25
Agenda Item 16: Closure .....	25

## Agenda Item 1: Introduction and Welcome

1. The Chair called the meeting to order and requested that all delegates be on time due to the highly ambitious agenda.

## Agenda Item 2: Approval of the Agenda

Appointment of the Rapporteur

Approval of the Report of the Fifth Board

1. The Chair proposed Mr. Lennarth Hjelmåker of Point Seven as the Rapporteur for the Sixth Board Meeting. This proposal was unanimously accepted. The proposed agenda for the Sixth Meeting of the Board was unanimously approved without comment.

2. Delegates made the following comments on the Report of the Fifth Board Meeting: on page 5, number 4, change to Governance and Partnership Committee; and on page 7, number 4, note that delegates requested to see the Trustee report earlier in the future.

3. The Chair requested all delegates to limit their interventions to a maximum of four minutes, and reminded delegates that only one member per delegation could speak for each agenda item. He commented that he would ask for a show of hands to gauge consensus, however this would not be an official vote. All delegates were entitled to call for a vote at any time, and any item receiving less than two-thirds support could be blocked. He further stated that if necessary, they could break into caucuses in order to reach a decision.

4. A delegate requested that the delegations represented by the Chair and the Vice Chair be permitted to have a second alternate recognized, given their roles on the Board. This request was approved for the Sixth meeting only; a delegate requested that the Governance and Partnership Committee look into this rule for future meetings.

## Decision Points:

1. Lennarth Hjelmåker was designated as Rapporteur for the Sixth Board Meeting.
2. The agenda for the Sixth Board Meeting was approved.
3. The report of the Fifth Board Meeting was approved with the following changes:  
Page 5 - The Board asks the Governance and Partnership Committee ...  
Page 7 - delegates requested to see the Trustee Report earlier in future.

4. For the Sixth Board meeting, that the constituencies of the Chair and Vice Chair be permitted to designate two Alternate Members, based on the condition that the delegate from those constituencies sitting as Chair or Vice Chair recuse themselves from all votes.

### **Agenda Item 3: Report of the Executive Director**

1. The Executive Director, Professor Richard Feachem, presented his report (full report available at [www.theglobalfund.org/Board/Sixth Board/Board documents](http://www.theglobalfund.org/Board/Sixth Board/Board documents)).
2. The Chair thanked the Executive Director, his staff and the World Bank for the tremendous work, but expressed his concern about the grants that were signed for amounts greater than approved by the Board. The Executive Director responded that this was caused by process errors at the Secretariat which have since been corrected. He noted that the amounts signed were consistent with the approved proposals, and that the errors involved the amounts provided to the Board for its approval.
3. One delegate expressed several concerns regarding the way that the Global Fund was operating. First, after 50 years of development financing, it was felt that recipient countries were not being viewed as equal partners to the Global Fund. Second, there was a need for greater flexibility in the deployment of funds, given the fact that when the proposals were developed, it was assumed that financing would be for five rather than two years. Third, on account of the gap at the end of year 2, recipients countries were able to bring forward the administration of ARVs planned for year 3, and therefore higher allocations were required. Fourth, funds disbursed were conditional upon the availability of funds, and recipient countries needed more guarantees. Finally, given the need to support the administration of ARVs, it was suggested that the Global Fund grants be geared more toward ARVs, with funds going toward prevention provided to other partners. The Chair thanked the delegate for these suggestions, and asked that the Secretariat and Committees review these requests and report back to the Board at the next meeting if necessary.

### **Agenda Item 4: Briefing on 3 by 5 from WHO and UNAIDS**

1. The Executive Director of UNAIDS, the Director-General of WHO and the WHO Assistant Director-General, HIV/AIDS, Tuberculosis and Malaria briefed the delegates on the "3-by-5" initiative announced at the UN High-Level Session on HIV/AIDS on 22 September 2003. The goal of this ambitious program was to deliver ARVs to three million people by 2005. They noted that the current number of people on ARVs was woefully insufficient, as millions would die without access to treatment. In 2004, WHO would focus on the following three realms: the establishment of concerted country level responses, including emergency response teams; generate initiatives and standardize products and services; and resource mobilization from both private and public sources.
2. Delegates expressed a variety of views on the initiative. Some felt that the Global Fund was not doing enough to ensure that increased numbers of people gain access to

ARVs, and applauded the efforts of WHO and UNAIDS for such an ambitious goal. Others expressed concern that there were too many initiatives at the moment, and donors would have to harmonize their policies, procedures and reporting requirements. Several recipient delegations expressed concern that the initiative was contributing to the marginalization of the other two diseases and deflecting attention from the strengthening of health systems and disease prevention activities.

## Agenda Item 5: Comprehensive Funding Policy

1. The Chair introduced the Chairs of the Monitoring, Evaluation, Finance and Audit (MEFA) and Portfolio Management and Procurement (PMPC) Committees, whose committees were jointly tasked to develop a comprehensive funding policy. The Chair of the MEFA Committee opened the discussion by referring the delegates to the option paper (GF/B6/4) and explained that the fourteen decision points were grouped into four clusters.

2. When describing Decision Point 1, the Chair of the MEFA Committee noted that there was a movement toward the second option. Some delegates held the view that option 3 was preferred, as it would add predictability to resource mobilization. However, given that this was not politically possible in many of the donor nations, several delegates expressed the strong view that Option 2 was the best option, as it combined elements of a periodic replenishment model with a voluntary, ad hoc approach. A motion to amend the wording of option 2, adding the word "all" in front of public and other donors, was made and accepted. [Decision Point on page 6]

3. The discussions surrounding decision points 2, 3 and 4 involved whether or not Decision Point 3 contradicted previous Board decisions regarding priority given to funding for years three to five over new proposals. After some discussion, it was determined that there was no contradiction. Clarification was also sought regarding the difference between promissory notes and actual contributions, whereby it was explained that promissory notes do not earn interest. A delegate asked that the record reflect the current return on investment as being 4.4 percent. One delegate sought to amend the point D in Decision Point 3 to add the word "successful" in front of "Appeals," which was accepted and approved. [Decision Point on page 6]

4. The discussion on Decision Point 5 primarily revolved around whether or not the third sentence was necessary. Some felt strongly that it was not necessary, as it had the potential to limit the total amount of proposals submitted. Other delegates voiced their strong desire to be transparent, and ensure that all applicants had knowledge of the estimated amount of resources available. It was further recommended that the word "calendar" be added before "year" in the first sentence, which was widely accepted. A motion to change the word "forecast" to "level" was rejected. Decision Point Six was adopted with the addition of the sentence "this estimate to be attached to the annual budget", as per the suggestion of one of the delegates. [Decision Points on page 7]

5. The Chair of the PMPC requested that the delegates consider Decision Points 7 and 8 together, and moved for a consensus decision on the first part of Decision 7. Some delegates expressed reservations that the language implied that not all of the category

1 and 2 proposals would be funded. However, other delegates reminded the Board that a decision has been made at their previous meeting, and therefore the first part of Decision 7 was adopted.

6. There was a lengthy discussion about the inclusion of "repeated failures for the same component" as a criterion for prioritization. Several delegates expressed the view that this could potentially encourage bad proposals, while others felt strongly that it needed to be included to draw attention to what has thus far been a problem. After two votes, the near consensus decision was adopted, with the addition of "other criteria which the Board deems appropriate." In addition, Decision Point 8 was approved without discussion. [Decision Points on page 7]

7. The Chair asked for the Board's unanimous consent to refer decision points 9 - 13 back to the appropriate committees as recommended. It was noted that Decision Point 14 would be revisited during the discussion on the Report of the Technical Review Panel. [Decision points 9 - 13 on page 7]

## Decision Points:

The Board approved the following decisions:

1. Resource-mobilization should use a periodic replenishment model on a voluntary basis for all public donors, complemented by additional ad hoc contributions for all donors, including new public donors, the private sector, and individuals.
2. TRP-recommended proposals should be approved up to the total of resources available.
3. Proposals are approved for the entire term of the proposal (up to five years) with a financial commitment for the initial two years with the possibility of renewal for up to an additional three years, with the following conditions:
  - a. The Board may approve proposals and commit funds for two years up to the cumulative uncommitted amount pledged through the calendar year of the Board decision;
  - b. A sufficient amount of 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;
  - c. Based on successful implementation of a grant, funding beyond its first 2 years receives priority over the funding of new proposals;
  - d. No funds for appeals should be reserved. Successful appeals should be funded immediately if resources are available or as soon as new resources become available.
4. Both cash and demand public promissory notes should be considered as assets.

5. The Board will announce a minimum of one Call for Proposals per calendar year. The Board can adjust this based on need and on resources available. A forecast of the resources available for the Round will be announced at the time that the Call for Proposals is issued.
6. At the final Board meeting of each year, beginning with the 2004 budget, the Global Fund will forecast resources and estimate demand for the next year. This estimate will show clearly the funds available for commitment. This estimate should be attached to the annual budget. This estimate should be updated at each Board meeting.
7. Technical merit will be the criteria used to determine proposal approval. The Technical Review Panel should refine its recommendations in category 2 in a way that will facilitate the Board's prioritization of proposals for approval.

If it is necessary to further prioritize within these sub-categories, the following additional criteria will be used by the Board: poverty, disease burden, repeated failures for the same component and other criteria which the Board deems appropriate.

8. The Board will not partially approve components.
9. The Secretariat will work with the Trustee, the MEFA Committee, and other partners such as WHO and UNAIDS to develop financial models that provide regular estimates of resources available for commitment and of demand for Global Fund financing, to be presented to the Board at its seventh meeting.
10. The Secretariat will work with the Trustee and the MEFA Committee to determine the specific criteria on promissory notes to be considered as assets, to be presented to the Board at its seventh meeting.
11. The Secretariat will work with the MEFA Committee and with PMPC to determine the process for the extension of two-year grants, to be presented to the Board at its seventh meeting.
12. The Secretariat will work with PMPC to operationalize the principles for prioritization among TRP-recommended proposals, to be presented to the Board at its seventh meeting.
13. The Secretariat will work with the MEFA Committee to identify a set of indicators for assessing the performance of the Global Fund's financial policies, to be presented to the Board at its seventh meeting.

## **Agenda Item 6: Report of the TRP, Including Round 3 Funding Decisions**

1. The Chair and Vice Chair of the Technical Review Panel (TRP) and the Secretariat presented the Report of the Secretariat and the Technical Review Panel on Round 3 Proposals (GF/B6/6), the lessons learned cited in the paper, and introduced the recommended decisions.

2. In the course of the TRP presentation, it was noted that there was a \$3 million discrepancy between the total funding amount for proposals presented by the TRP (\$620 million) and the amount presented by the Secretariat (\$623 million). The TRP chair explained that the discrepancy was due to a regional proposal from the Eastern Caribbean which it had determined was technically sound but raised eligibility questions in that (1) some proposed activities overlapped with a similar CARICOM proposal and (2) only one of the nine countries was income-eligible to receive funding. Several delegations expressed concern over the decision to allow a proposal primarily from income-ineligible countries to be funded when only one country met income eligibility criteria; some questioned the Secretariat decision to screen in the proposal under such circumstances. Several delegations suggested that the rule which allows such regional proposals to be deemed eligible for funding should be reconsidered in committee.

3. The Board passed a motion to put the Eastern Caribbean proposal in category 2 in order to avoid resorting to proposal-by-proposal consideration, and to make approval of this particular proposal subject to the elimination, through negotiation, of funding for activities which overlaps with activities funded under the CARICOM proposal.

4. The Board further discussed the particular case of a non-CCM HIV/AIDS proposal from a Thai NGO relating to support for interventions targeting injecting drug users. One delegation requested clarity from the Secretariat regarding the application of the criteria for non-CCM proposals in this particular case.

5. The Executive Director stated that the TRP has asked the Board to provide clarification of the criteria for non-CCM proposals, including what is meant by "CCM endorsement." He clarified that the Secretariat screened it in as part of the eligible proposals, the TRP reviewed it for technical merit, and it has been submitted to the Board for final consideration.

6. The Secretariat noted that it tried in all cases to verify why CCM endorsements have not been granted. In the case of the proposal in question, the Secretariat stated that there was communication between the Secretariat and the Thai CCM, and the Secretariat and the particular NGO. The Secretariat received a response from the NGO stating that, while relations between the government and NGOs may generally be good, they are not well developed for the particular intervention being pursued under the proposal. The Secretariat also received indications from the CCM that CCM approval may be considered at a CCM meeting following the scheduled TRP review, with possible dates of August and September. On this basis the Secretariat decided to



screen in the proposal, and had not yet received notification from the CCM that approval had been granted.

7. One delegation made a motion that the Board approve non-CCM proposals contingent upon a requirement to obtain CCM endorsement and any revisions the CCM may require. The motion failed for lack of a second. The delegation further moved for a committee to further examine the three criteria in the framework document on which non-CCM proposals may be declared eligible. The motion passed with no objection.

8. One delegation pointed out that the issue was not limited to the proposal from Thailand and that it was unclear to them how criteria for non-CCM proposals were applied, given that some were accepted and some turned away as ineligible. Another delegation stated that, though the Board had provided a direct application process, perhaps it was time to look at whether the channel for this process should be opened further.

9. Another delegation also suggested that committees considering non-CCM proposals should include considerations of how the counterpart-funding criteria for Lower Middle Income Countries would be applied in the case of direct NGO proposals. The Chair directed the committee to include this issue in its deliberations. [Decision Point on page 11]

10. One delegate pointed out that Decision 14 of the Comprehensive Funding Policy was a clear violation of a previous Board decision regarding the use of future pledges for current year TRP approvals. Other delegates expressed concern that the funding gap was quite small, and the money would be available by the time that grant negotiations commenced. A compromise was proposed whereby the Board could approve all Category 1 and 2A proposals subject to clarifications, and approve all Category 2B proposals when the funds become available.

11. Some delegates were concerned about the length of time it would take to obtain TRP clarifications and final acceptance from the TRP and therefore strongly voiced their preference to approve all Category 2 proposals. One delegate proposed allowing the Secretariat to commence with TRP clarifications for all Category 2 proposals, but ask the Board to formally approve Category 2B proposals in January by email. [Decision Point on page 11]

12. Several delegations recommended that the Fund must take a close look at the issue of funding "difficult partnerships." Certain delegations cited particular concerns with the grant to Myanmar, and raised questions regarding implementation structures and whether there would be direct assistance to governmental entities. Other delegations cautioned that political concerns should not become part of discussions on particular proposals, and that this could lead to the earmarking of donations. One delegation countered that appropriately addressing such issues could head off the donor earmarking that will likely occur unless alternate implementation structures are not developed. A motion was put forward to send the issue to the Governance and Partnership Committee for further consideration.

13. Several delegations conditioned their support for exploring alternate funding modalities on the understanding that consideration of the issue was not an attempt to circumvent funding in certain environments altogether. Several delegations noted that, while the Board should be conscious that the Global Fund is a humanitarian organization and that diseases know no political boundaries, it also must recognize that some Board members have political constraints placed upon them and that the Board must find a way through the issue. There was strong support to try and find appropriate benchmarks by which to measure where such modalities could be required. Some delegations stated that consideration of the OECD/DAC guidelines may be an appropriate starting point for discussions, while others stated that there were many more subtle “difficult partnerships” which are not captured by any existing political indicators. [Decision Point on page 11]

14. Delegates questioned the TRP on the processes surrounding repeated rejections, and the value of the feedback to rejected countries. Concern was expressed that TRP comments for category three and four proposals were not comprehensive, and that addressing those comments did not guarantee approval in subsequent rounds.

15. The TRP stated that the comments were not intended to be comprehensive, expressed sympathy for CCMs who have been unsuccessful in successive rounds, and encouraged them to seek technical assistance which may be available to strengthen their proposals. Delegates asked the TRP to circulate a list of proposals which have received multiple rejections to the Board.

16. Delegates stated that the PMPC should address all the issues raised in the TRP report, and to focus particularly on how to encourage support for ARV treatment, co-financing, and whether to bar applicants who have been successful in all three rounds from participating in the fourth round.

17. In addition, delegates expressed concern that 26% of CCMs did not have representation by a person living with the diseases, and asked that the issue of CCM composition be further studied by the GPC. It further requested that the GPC address issues of conflict of interest where there is overlapping membership between institutions serving on CCMs, in particular as chairs of CCMs, while at the same time serving as Principal Recipients. [Decision Points on page 11]

18. The TRP presented recommendations for narrowing the time period for the TRP clarifications process. The following recommendations were noted:

- The completion of TRP clarifications in Category 1 should be completed within 4 weeks of the applicant’s receipt of the initial decision of the Board, and given final approval by the TRP Chair and/or Vice Chair.
- The initial reply to TRP clarifications for proposals in Category 2 should be received within 6 weeks of the applicant’s receipt of the initial decision of the Board, and any further clarifications should be completed within 4 months from the receipt of the initial reply from the applicant. The TRP Chair and/or Vice Chair shall give final approval based on consultations with the primary and secondary reviewers.

## Decision Points:

1. The Board approves for funding the Round 3 categories 1 and 2A today, (15 October) subject to the completion of TRP clarifications.
2. The Board approves proposals in TRP category 2B, subject to the completion of TRP clarifications. This decision would become effective upon Board confirmation by email in January 2004. Meanwhile the Secretariat can proceed with resolving TRP clarifications for these proposals.
3. The completion of TRP clarifications in Category 1 should be completed within 4 weeks of the applicant's receipt of the initial decision of the Board, and given final approval by the TRP Chair and/or Vice Chair.
4. The initial reply to TRP clarifications for proposals in Category 2 should be received within 6 weeks of the applicant's receipt of the initial decision of the Board, and any further clarifications should be completed within 4 months from the receipt of the initial reply from the applicant. The TRP Chair and/or Vice Chair shall give final approval based on consultations with the primary and secondary reviewers.
5. Proposals in Category 3 are not recommended in their current form but are encouraged to resubmit.
6. Proposals in Category 4 are not recommended for funding.
7. The Board requests the PMPC and GPC to examine the issue of non-CCM proposals that have been approved by the Board and that may be against the criteria for non-CCM proposals, and report to the Seventh Board Meeting.
8. The Board requests the PMPC and GPC to review the applicability of the eligibility criteria to future non-CCM applications.
9. The Board requests the GPC to develop, with reference to the Framework Document guidelines, recommendations for alternative funding mechanisms where particular constraints exist about funding the proposed Principal Recipients and sub recipients. These recommendations should reflect the humanitarian spirit of the Global Fund and the desire to direct funds quickly and accountably to affected populations. These modalities, subject to approval by the Board, should also apply to all approved proposals in Round 3.
10. The Board requests the GPC to examine the possible conflicts of interest between the Chairs of CCMs and the Principal Recipients, particularly in the process of selecting Principal Recipients.
11. The Board requests the GPC to examine the eligibility of CCM applications when the composition of CCMs lacks representation of communities affected by the three diseases and civil society.

## Agenda Item 7: Round 4- Funding Forecast, Timing and Renewal of Guidelines

1. The Chair requested the Executive Director to discuss the timing of Round 4. The Executive Director explained that it took approximately 28 weeks from the time a Round was announced until its approval. He then noted that if the goal was to approve Round 4 at the June Board meeting, the announcement would have to be made in December 2003. If the Board preferred to approve Round 4 in October 2004, the Round would have to be announced in April 2004.

2. The Secretariat's Finance Manager then reviewed the Secretariat's financial forecasts and projected USD 1.029 Billion available in 2004. He then described how the Secretariat forecasted grant commitments of USD 470 million, leaving projected funding available for Round 4 before additional pledges at USD 559 Million.

3. The Chair of the PMPC then asked the Board to approve its recommendation to have the Secretariat revise the Guidelines for Proposals for the Fourth Round in consultation with the PMPC. Delegates voiced concern that this should not be the responsibility of the Secretariat but that of the Board, with the involvement of both the PMPC and the GPC. But delegates felt that it was difficult for two committees to work on the same subject, and a suggestion was made to revise the language to state that the Board requested the PMPC, with the support of the Secretariat, to revise the Guidelines for the Fourth Round. Further suggestions were made to ensure that the WHO and UNAIDS be consulted in the development of the guidelines, and include language to take into account the principles of harmonization. Delegates also argued to add a comprehensive strategy to scale up treatment for HIV in the guidelines, but this motion was not accepted by the Board. [Decision Point on page 13]

4. There was a lengthy discussion on the financial forecasts of the Secretariat. Some delegates expressed the view that the Secretariat had overstated the confirmed pledges, as they would have to go through appropriate legislative processes. Other delegates expressed the view that the discussion was moot, as the Board had already approved the principle that no agreement could be signed without sufficient funding in the trustee account, arguing that financial projections were merely that - projections. It was proposed that the Board approve a motion that stated that the Secretariat should include pledges as defined by the donor in their financial projections, which was approved. It was decided that there was no need to approve the projections, but merely take note of them, as they would inform other Board decisions.

5. There was a discussion on the timing of the announcement of the Call for Proposals for Round 4. The main question was whether the Board needed to meet before the launch to approve the guidelines and the financial forecasts, or whether it was necessary to link the two. Several delegates expressed the view that the launch should be announced as early as possible given the needs that existed. When delegates asked if it was preferred to postpone the Board meeting until July, the Secretariat pointed out that both the International AIDS Conference and the Partnership Forum were planned for July 2004, and therefore the Secretariat would be unable to hold the meeting in July 2004.

6. A consensus was emerging to announce Round 4 on 10 January and aim for approvals in June 2004. However, delegates expressed concern over the lack of clarity over financial resources available and felt that the amount of resources available was required at the time of the announcement. One delegate offered a third decision point asking the Board to reassert their commitment to increasing the amount of resources available for 2004 and specify their contributions in 2004 before the end of 2003. This was accepted by the Board. Another delegate suggested a final decision point whereby the PMPC would revise the guidelines for proposals by 1 January 2004 with input from all Board members. When a delegate questioned the Secretariat whether or not this was possible given that the guidelines needed to be translated by 10 January, the Secretariat stated that they would make the deadline. The Board then voted unanimously for the four additional decision points.

### Decision Points:

1. The Board requests the PMPC, with the support of the Secretariat, WHO, and UNAIDS to revise the Guidelines for Proposals for the Fourth Round and subsequent Rounds as needed, including taking account of the principles of harmonization.
2. The Secretariat should track in their financial projections the pledges as defined by the donor.
3. The Fourth Call for Proposal will be launched on January 10, 2004.
4. The Board will approve Round 4 proposals at its June Board Meeting.
5. The Board reasserts the principles of the governing policy of the Global Fund, asks each stakeholder of the Global Fund to deploy every possible effort to increase the resources available for 2004, and subsequent years and requests that donors specify before the end of 2003 their contributions for 2004.
6. The PMPC will revise the guidelines for proposals by January 1 with input from all Board Members.

## Agenda Item 8: Monitoring and Evaluation Strategy

### MEFA Committee

1. The Chair of the MEFA Committee presented a Monitoring and Evaluation (M&E) strategy for the Global Fund. The Chair referred delegates to the Monitoring and Evaluation Strategy document GF/B6/11 and Annex 1 thereof which describes the management arrangements for the Fund's M&E.
2. During the discussion, a delegate stressed that funding replenishment should be based on results evaluation and that MEFA should define the process and criteria to decide on continued funding for grants beyond the initially approved two years period. In addition, on page 21, point 7 b) the communities delegation asked to add "people

living with the diseases". UNAIDS mentioned that monitoring the epidemics was part of the core business of UNAIDS and all studies were available to the MEFA Committee.

3. The Board endorsed the MEFA proposal for a Global Fund Monitoring and Evaluation strategy as described by the MEFA Committee.

4. Concerning the level of LFA costs, some delegates asked for more explanation about the excess of these expenses and the Chair of MEFA explained that this issue had been scrutinized and that the Secretariat had acted in good faith. In addition, rules and checklists were now available to monitor these costs in the future.

5. Concerning the operationalization of the voluntary periodic replenishment model, it was agreed that the Secretariat will work with MEFA, in collaboration with the PMPC and RMCC, to identify key issues, to be presented to the Board at its Seventh meeting.

6. With regard the excess amount granted by the Secretariat to Round 1 proposals, the MEFA Chair asked the Board to approve the correction of the Round 1 grant amounts previously recorded as approved by the Board. This was proposed to reflect the Board's overall decision to approve the first two years of each proposal, thus endorsing the amounts agreed in the grant agreements.

The Board unanimously approved this proposal.

## Decision Points:

1. The Board endorses the Global Fund's Monitoring and Evaluation strategy as described by the MEFA Committee [the Monitoring and Evaluation Strategy document GF/B6/1 and annex 1 GF/B6/11.1 which describes the management arrangements for the Fund's M&E].

2. The Board approves the correction of the Round 1 grant amounts previously recorded as approved by the Board, in these cases, to reflect the Board's overall decision to approve the first two years of each proposal, thus endorsing the amounts agreed to in the grant agreements.

## Agenda Item 9: Partnership Forum

### By-laws and Board Operating Procedures

### Committee Rules and Procedures

1. The Chair of the Governance and Partnership Committee stated that three separate documents were presented for adoption by the Board. With reference to the Board Operating Procedures, it was clarified that if both Chair and Vice Chair of the Committees were coming from the recipient group, travel costs would be paid by the Secretariat. Some delegates noted that it was too restrictive to limit the number of members in Committees' delegations and that more flexibility was required, taking

costs into account. In this regard, the issue of equality of representation between donor and recipient delegations was raised. Concerning the demand that members of Committees from recipient delegations who were not Board members also be financially supported by the Secretariat for travel and accommodation costs to Board meetings, it was agreed that the GPC Committee would review this issue and report on it at its next meeting.

2. It was clarified that the Executive Director was responsible for signing grant agreements and that the option of delegation of authority in the event of incapacity would be included. With regard to the calling of extraordinary Board meetings by a certain number of Board delegates, it was agreed that the GPC will consult its members on this at the next meeting.

3. During the discussion about the Ethics Committee, it was decided that MEFA was not yet ready to consider this a standing committee and it was agreed that some stability about Committees should be made by 2005.

4. During the discussion about the Partnership Forum, it was agreed that this event should be linked to an international conference and at the same time needed a comprehensive communication strategy with a view to equally highlighting the three diseases. On page 2, part 2 of the document GF/B6/7.6 it was agreed to delete the paragraph "A public forum of accountability", as this did not reflect the By-laws. It was also noted that this Forum would be very important to enhance Communication and Resource Mobilization efforts and that the Resource Mobilization and Communication Committee should be closely involved with its preparation.

## Decision Points:

The Board approves the recommendations of the Governance and Partnership Committee as follows:

1. To adopt the Revised Bylaws and Revised Board Operating Procedures as proposed by the Governance and Partnership Committee.
2. To approve the Committee Rules and Procedures as proposed by the Governance and Partnership Committee.
3. To mandate the Board Chair to convene the Ethics Committee and approve the Ethics Committee and its terms of reference.
4. To adopt the approach to the Partnership Forum process and event as proposed by the Governance and Partnership Committee;
5. To agree specifically to hold the 2004 Partnership Forum event contiguous with the IAS AIDS 2004 Conference in Bangkok;
6. To agree to hold the second Board meeting of 2004 in Geneva and not in connection with the Partnership Forum event;

7. To mandate the Board Chair to convene the Steering Committee immediately to begin planning the Partnership Forum process and event; and
8. To approve the Steering Committee and its Terms of Reference as proposed.

## **Agenda Item 10: Resource Mobilization and Communication Committee**

1. The Chair of the Resource Mobilisation and Communication Committee introduced the resource mobilization approach outlined by the RMCC. During the discussion it was stressed that a strategic plan with detailed timeframe, activities and related costs, as well as clear performance indicators, was long overdue, particularly in view of raising contributions from the private sector. The need for creative ideas to diversify funding sources was stressed. Some delegates noted that the Secretariat should coordinate the development of a resource mobilization and communication campaign with WHO and UNAIDS.
2. The Secretariat provided a report about the status of the 46664 initiative and the cooperation with the Mandela Foundation, emphasizing that the Board would be kept fully informed on the outcomes of this process.
3. In order to increase the visibility of Global Fund, it was recommended to appoint Goodwill Ambassadors, particularly personalities well known by media. The name of Alex Coutinho was suggested as a possible Goodwill Ambassador of the Global Fund.

### **Decision Points:**

1. The Board approved that the RMCC and the PMPC form a joint working group to develop proposals on the issue of in-kind donations.
2. The RMCC will urgently develop a resource mobilization strategy, in full consultation with other partners, consistent with the comprehensive funding policy to raise funds sufficient to meet future needs. This strategy will include the sustainable mechanism for the agreed voluntary replenishment process.
3. The Secretariat working closely with the RMCC will develop a workplan to implement this strategy.
4. The RMCC and Secretariat will call upon outside experts to advise and assist them in the design and implementation of this strategy and workplan.
5. The RMCC will report, by one month before each Board Meeting, on the Global Fund's progress in implementing this strategy.



## Agenda Item 11: Portfolio Management and Procurement Committee

1. The Chair of the PMPC introduced the issues of TRP renewal and put forward a motion to approve the recommendations made in this regard by the TRP. He commended the TRP Chair and Vice Chair for their work and explained that the Vice Chair, Dr Alex Coutinho, would be leaving due to term limitations. He noted the difficulties in selecting and retaining good TRP members.
2. The Vice Chair suggested that the selection panel should include the Chair, Vice Chair and the Executive Director. The panel should supervise the performance of TRP members and use inside knowledge to make the recommendations.
3. Delegates commented on good members leaving the TRP due to term limitations. One delegate expressed the need for a transparent process for selecting not only the members of the TRP but also the chair and vice chair of the TRP. Delegates expressed the need for appropriate language for transparency and equilibrium in the balance and demographics of TRP members. [Decision Point on page 18]
4. An extensive discussion was held on the eligibility criteria for lower and upper middle income countries. Examples from the Caribbean, Asia pacific and Africa were given. The eligibility of the Caribbean proposal was discussed extensively.
5. Delegates stated that eligibility rules should be ensured that poor countries were not automatically excluded. Delegates expressed the need to include disease burden in the evaluation of upper middle income countries as they also need help. Some delegates added that decisions should be within limitations of available resources therefore requiring prioritization of proposals. [Decision Point on page 18]
6. The Chair of the PMPC presented compromise language for Decision Item 3 regarding the eligibility requirements for Round 4. One delegate asked whether the language implied that NGOs from upper middle income countries could apply directly, and the Chair of the PMPC responded that this was not allowed, but that regional proposals could be considered. Some delegates expressed concern that the language would deny the very poor and vulnerable in some countries who greatly needed assistance, particularly those in upper middle income countries with severe income inequalities. Delegates also requested clarification as to whether this was a permanent requirement, or applicable to Round 4 only. It was clarified that these restrictions applied to Round 4 only, and that they would be reconsidered for subsequent rounds. Delegates also questioned the continuing use of the World Bank list. However, it was pointed out that it would be inefficient to develop a new list. After a request for an amendment failed, the Board agreed upon the compromise language. [see Decision 3 below]

### Decision Points:

#### Decision 1:

- a. Following TRP renewal, approximately one-quarter of the TRP members will be rotated each Round. Members appointed from 2003 onwards will be appointed to serve a term of up to four Rounds.
- b. After each Round, the Chair and Vice Chair of the TRP will recommend with specific explanation to the selection panel the members whom should be asked to remain on the TRP (up to a maximum of four Rounds' service for each TRP member).
- c. The selection panel will select replacement TRP members from among the TRP Support Pool.

## Decision 2:

For the Fourth and subsequent rounds of applications to the Global Fund:

- a. Countries classified as "Low Income" by the World Bank are fully eligible to apply for support from the Global Fund.
- b. Countries classified as "Lower-Middle Income" by the World Bank are eligible to apply for support from the Global Fund but must meet additional requirements, including co-financing, focusing on poor or vulnerable populations and moving over time towards greater reliance on domestic resources.
- c. Countries classified as "High Income" by the World Bank are not eligible to apply for support from the Global Fund.
- d. Regional proposals that include a majority of eligible countries may submit applications to the Global Fund.

## Decision 3:

The Board approves Option One for Round Four.

- a. Option 1: Countries classified as "Upper-Middle Income" by the World Bank are eligible to apply for support from the Global Fund only if they face very high current disease burden. This is defined (based on technical input from WHO and UNAIDS) for each disease as follows:
  - i. HIV/AIDS: if the country's ratio of adult HIV seroprevalence (as reported by UNAIDS, multiplied by 1000) to GNI per capita (Atlas method, as reported by the World Bank) exceeds 5;
  - ii. Tuberculosis: if the country is included on the WHO list of 22 high-burden countries, or on the WHO list of the 36 countries that account for 95% of all new TB cases attributable to HIV/AIDS;
  - iii. Malaria: if the country experiences more than 1 death due to malaria per 1000 people (as reported by WHO).
- b. Eligible countries must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources.

- c. The Board requests that the PMPC review the issue of future applications focusing exclusively on vulnerable populations that do not receive significant funding from domestic or external sources from Upper-Middle Income countries ineligible under Option 1.
- d. The PMPC will present recommendations to the Board for consideration at the Seventh Board Meeting.

## PROCUREMENT AND SUPPLY MANAGEMENT

### Decision 4:

National Drug Regulatory Authorities (NDRA) laboratories or laboratories recognized by the NDRA should be used for quality monitoring by the PR. To ensure the respective laboratories have adequate capacity for full pharmacopoeial testing, they must meet one of the following criteria:

- a. Acceptance for collaboration with WHO pre-qualification project;
- b. Accredited in accordance with ISO17025 and/or EN45002;
- c. Accepted by a stringent authority. For the purposes of this policy a stringent drug regulatory authority is defined as a regulatory authority in one of the 28 countries which is either a Pharmaceutical Inspection Cooperation Scheme and/or International Conference on Harmonization.

### Decision 5:

- a. The principles for procurement and quality assurance of pharmaceuticals that were adopted during the Third Board meeting of the Global Fund apply to diagnostics and other non-pharmaceuticals: namely that a Principal Recipient (PR) is responsible for procurement, and is required to conduct competitive purchasing in order to obtain the lowest possible price for products of assured quality:
- b. For non-durable products, the same principles as for pharmaceuticals should be followed, namely that a PR is required to select from lists of pre-qualified products, where they exist, or products accepted by stringent regulatory agencies or products accepted by national standards.
- c. For durable products the lowest possible price should take into account the Total Cost of Ownership (TCO), including the cost of reagents and other consumables as well as costs for annual maintenance.
- d. Procurement methods for durable products may include either lease or purchase. The PR must provide a plan for service and maintenance of the products.
- e. The Secretariat will work with technical partners such as WHO, UNAIDS and bilateral agencies to ensure availability of information to recipients in regards

to quality assurance and procurement systems related to high priority consumables and durables such as condoms, HIV rapid testing kits, CD4+ T cell monitoring, bed nets, microscopes, etc.

#### Decision 6:

- a. The Board recognizes the potential role of in-kind donations in significantly expanding the impact of the GF and in making a significant contribution to resource mobilization efforts through providing leverage for cash resources. In-kind donations also constitute a significant means by which the private sector may be involved with the Global Fund and contribute to achieving its goals, thus reflecting the public - private partnership principles upon which the Global Fund is based.
- b. The Board recognizes the considerable challenges to be confronted in operationalizing in-kind donations. There are different issues involved in managing in-kind donations in the form of services, non-health products, or health products, particularly pharmaceuticals, at both the global and country level.
- c. The Board requests that the PMPC, on the basis of input from the PSM-AP, and working jointly with other Committees, particularly with the Resource Mobilization Committee, to consider further the different operational and other issues surrounding in-kind donations of services, non-health, and health products. These general issues include, inter alia:
  - Guarding against conflicts of interest;
  - Potential legal liabilities;
  - Long term sustainability;
  - Valuation of contribution.
- d. The Board requests that, on the basis of work done by the private sector and others, the PSMAP will propose strategic options, capturing issues relating to the diversity of products and services, the managerial capacity of the Global Fund Secretariat and Principal Recipients, and the advantages/costs of channeling donations through the Global Fund vis-à-vis other existing mechanisms.

#### Decision 7:

Board refers to the Governance and Partnership Committee the issue of potential conflict of interests when products are manufactured in a state-owned laboratory and the Principal Recipient is a public entity and when products are manufactured or purchased in a state-owned structure and the state is responsible for quality.

## Agenda Item 12: Governance and Partnership Committee

1. The Chair of the GPC reminded the Board that a Conflict of Interest Policy was approved by the Board in October 2002 and revised in January 2003. However, the Committee had not been able to finalize the policy, and therefore the Committee Chair asked the Board to request the GPC to address all outstanding issues of the policy for submission to the Board.

2. The Chair referred the Board to the Memorandum of Understanding (MOU) between the Global Fund and the Inter-American Development Bank, and requested the Board's approval. She further requested the Board to delegate the endorsement of the MOUs with Stop TB and Roll Back Malaria to the GPC. The Board approved this request **but asked the Secretariat to prepare a binder containing all agreements signed to date and distribute it to all delegates for easy reference in the future.** [Decision Point on page 22]

3. A representative of the Swiss Government updated the Board on the proposed legal status for the Global Fund. He explained that the status being offered by the Swiss Government was unique, which would enable the Global Fund to remain a Swiss Foundation and maintain all of the immunities it currently had in Switzerland. In addition to immunities, the status would allow tax exemption and work permits for spouses and partners. He further explained that the Agreement should be finalized soon, with only a few issues that needed to be worked out. The Chair of the GPC stated that the documents would be ready in December, and that the Committee would circulate it to all Board members as soon as possible so that they could consult with their own legal teams. **The Chair asked that the Secretariat's lawyers take a good look at the documents and give the Board a summary of the pros and cons of the Agreement.**

4. A delegate stated that the Committee should look carefully at the implications of this Agreement for future operations, and then expressed concern that employees may not have the same diplomatic protection when traveling if their employment agreements were no longer with WHO. The Executive Director responded that there was no intention of changing the Service Agreement with WHO, however some modification may be made. He noted that the discussions with WHO on the Service Agreement were ongoing but independent of the change in the legal status. The Chair of the GPC then asked the Board for its approval to mandate the Committee to work further on the legal status. [Decision Point on page 22]

5. The Chair of the Committee asked the Board for its approval to delegate authority to execute agreements on its behalf to the Chief Operating Officer and the Chief Fund Portfolio Director in the event that the Executive Director was unavailable. This was unanimously approved. [Decision Point on page 22]

6. The Chair of the Committee noted that the Board adopted a decision point on the Ethics Committee the previous day and asked the Vice Chair of the Board to call for nominations to this Committee so not to wait until the next meeting. The Vice Chair then asked the Board members to indicate their interest in participating in the Ethics

Committee by the end of the month. He suggested that the Board try to finalize this by email.

7. Delegates requested the Committee to work on the issue of voting rights for the Communities living with the diseases. Several delegates expressed the view that this was important, but were concerned about the potential change in the balance of the Board, and asked the Committee to ensure that the two-thirds voting rule be preserved. Delegates asked that the Committee look at the voting rights of other non-voting members too. After a lengthy discussion, the Board agreed to compromise language. [Decision Point on page 23]

8. The Vice Chair then announced the members of the Partnership Forum Steering Committee. A delegate also asked the Board delegations to nominate someone with a background in ethics to the Ethics Committee.

Partnership Forum Steering Committee Members:

1. China (Western Pacific)
2. Communities
3. Developed Countries NGO
4. Developing Countries NGO
5. Eastern Europe
6. Eastern Mediterranean (Vice Chair)
7. East and Southern Africa
8. France
9. Japan
10. Latin America and the Caribbean
11. Private Foundations (Chair)
12. Private Sector
13. South East Asia
14. UNAIDS
15. USA
16. WHO

Decision Points:

1. The Board requested the GPC to address all outstanding issues of the Conflict of Interest Policy for submission to the Board.
2. The Board endorsed the Memorandum of Understanding between the Fund and the Inter-American Development Bank and delegated the Stop TB and Roll Back Malaria Memoranda of Understanding to the GPC, after which they will both be presented for ratification by the Board at its subsequent meeting in 2004.
3. The Board mandated the GPC to work further on the legal status of the Global Fund.
4. The Board delegated authority to execute agreements on its behalf to the Chair, Vice Chair and Executive Director. As necessary and appropriate to maintain

continuity of Secretariat operations, in the event the Executive Director is unavailable to exercise such authority the Chief Operating Officer or the Chief Fund Portfolio Director may do so.

5. The Board requested the GPC to address the conditions under which the communities delegation can become a voting member without affecting the existing voting mechanism, and report back to the Seventh Board Meeting.

### **Agenda Item 13: Draft Budget 2004**

1. The Secretariat's Manager for Finance and Administration presented a financial report for calendar year 2003 and a budget for calendar year 2004. The Chair of the MEFA Committee stated the Committee had insufficient time to examine the budget and asked the Board to give the Committee additional time to review the budget and present its recommendation to the Board at the next meeting in 2004. The Committee further requested that the Board authorize the Secretariat to operate within the ceiling of the 2003 budget until the 2004 budget is adopted.

2. Several delegates expressed their concern that the Board has not approved the 2004 budget. Other delegates expressed concern over the large increase in the budget over 2003, and high increases in certain line items. However some delegates accepted the overall increase due to the increased workload of the Secretariat in 2004. The Board then approved the requested decisions, with an additional decision on the timing of the 2005 budget approval.

#### **Decision Points:**

1. The Board directs the MEFA Committee in its December 2003 meeting to finalize its review and recommendations of the 2004 budget, including comments made by the Board and to bring its final recommendation to the Board at its next meeting in 2004.
2. The Board authorizes the Secretariat to continue to operate with the ceiling of the 2003 budget until the 2004 budget can be adopted by the Board. During this interim period, in the event the Secretariat must incur specific expenses not included in the 2003 budget (e.g. Partnership forum venue costs), it shall do so with the understanding that the expense will be covered within the finally adopted 2004 budget. The Secretariat will present a report of its first quarter expenses to the Board in March.
3. The Board directs the MEFA Committee to finalize the review of the budget for 2005 and report to the Board for their decision in 2004.

## Agenda Item 14: Communications

1. The Secretariat presented the Communications strategy as outlined in information paper (GF/B6/5), highlighting the development of a new website, the branding exercise and the production of communication material to spread awareness about the Global Fund and its work.
2. The Board welcomed the approach taken by the Secretariat in developing a Communication Strategy. During the discussion it was recommended that when holding press conferences about resource needs, the Secretariat should not single out a specific country. It was recommended that in future communications work, detailed information about the magnitude of the three diseases be developed. The new website was praised for providing transparency and access in several languages. Some delegates stressed the need to improve internal communication between Board and the Secretariat, as well as to increase communication with partners at local level. The Communities delegation recommended that the communication strategy should also targeting PLHAs. The Board asked the Secretariat to report on the use of the logo.

## Agenda Item 15: Calendar

1. The Secretariat presented the calendar for 2004-2005, emphasizing that after Round 4, future rounds should be agreed at forthcoming Board meetings. On a question concerning the inclusion of Committees' meetings in the calendar, the Secretariat responded that at this point it was difficult to schedule all Committee meetings, but that this would be taken into account in the preparation of a long-term workplan.

### Decision Point:

The Board adopted the Calendar below for Board Meetings for 2004 and 2005, with the understanding that the dates will be confirmed at the beginning of each year.

17 -18 November:	PMPC meeting
3 - 4 December 2003:	RMCC Meeting
11 - 12 December 2003:	MEFA Meeting
27 - 28 January 2004:	GPC Meeting
17 - 18 March 2004:	Seventh Board meeting (Geneva, Switzerland)
28 - 30 June 2004:	Eighth Board Meeting (Geneva, Switzerland)
7 - 8 July 2004:	Partnership Forum
17 - 19 November 2004:	Ninth Board Meeting (Arusha, Tanzania)
16 - 18 March 2005:	Tenth Board Meeting (Geneva, Switzerland)
7 - 8 July 2005:	Eleventh Board Meeting (Geneva, Switzerland)
2 - 4 November 2005:	Twelfth Board Meeting (Latin America & Caribbean)



## Information Sessions Parallel to the Executive Session

In parallel to the Executive Session, with participation limited to Board members, the Global Fund and WHO Secretariats held two information sessions which provided a Portfolio Update for Global Fund grants and information on WHO's HIV/AIDS response and the "3 by 5" initiative, respectively.

### Portfolio Update for Global Fund Grants

Global Fund Chief Portfolio Director Purnima Mane gave a presentation on progress with grant negotiations and disbursements to grants approved in Round 1 and 2. The presentation provided information on the composition of CCMs and entities selected as Principal Recipients. The presentation was followed by a questions and answers session with participation from several Board delegations and the four Regional Directors from the Global Fund Secretariat.

### Three by Five

Dr. Paulo Texeira, Director, HIV Department, WHO, gave a presentation on the WHO's response to HIV/AIDS and the "3 by 5" initiative. The presentation provided information on WHO policies and strategies to promote the UNGASS 2001 goal to provide ARV treatment to three million persons by 2005. The presentation was followed by a questions and answers session with participation from several Board delegations.

## Agenda Item 16: Closure

1. The Chair thanked the Board Members for their hard work and efficiency in completing the agenda and noted that the next meeting would be in March in Geneva, Switzerland.