

REPORT OF THE EIGHTH BOARD MEETING

Outline: This document presents the draft Report of the Eighth Board Meeting and includes all decisions made at that meeting. The Report of the Eighth Board is subject to ratification by the Board of the Global Fund at their Ninth Board Meeting on 18-19 November, Arusha, Tanzania.

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

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

Decision Points:

1. The Board approves the Report of the Eighth Board Meeting.

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Agenda Item 1: Introduction and Welcome

1. The Chair, Secretary Tommy Thompson, called the meeting to order and after reflecting on the important work of the Global Fund, requested that all delegates be on time due to the highly ambitious and important agenda.
2. The Vice Chair, Dr Helene Rossert-Blavier welcomed the delegates to the meeting, and outlined some concerns that had been raised with her by recipient countries. She noted the difficulties of implementation in the field and noted the importance of focusing all efforts to ensure results are achieved and difficulties addressed. She expressed her concern at the discussions regarding reduced resourcing for the Fund and reiterated the importance of the mandate the Fund had been given. However, she added that it was her hope that the Board would be in a position to secure the additional funds necessary to scale up the Global Fund's activities worldwide.

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

1. The Chair proposed Dr. Carol Jacobs of the Latin America and Caribbean delegation as the Rapporteur for the Eighth Board Meeting. This proposal was unanimously accepted.
2. The proposed agenda for the Eighth Board Meeting was unanimously approved without comment.
3. The report of the Seventh Board Meeting was unanimously approved without comment.

Decision Points:

1. Dr. Carol Jacobs from the Latin America and Caribbean Constituency is designated as Rapporteur for the Eighth Board Meeting.
2. The agenda for the Eighth Board Meeting is approved.
3. The report of the Seventh Board Meeting is approved

Agenda Item 3: Voting Rights for Communities

1. The Chair of the Governance and Partnership Committee (GPC), Mr Pasquelino Procacci, advised the Board that the Committee had been mandated to address the conditions under which NGO Representatives of the Community of People Living with the Diseases could be granted full voting rights without disrupting the current voting rules of the Board. The Chair of the GPC proposed that the delegation be granted full voting rights immediately and that the Board add another donor seat in the future as soon as a donor is identified.

2. One delegate expressed strong support for the Committee's recommendation, but suggested that the wording of any Decision Point be expressed in a way which enabled current donors interested in increasing their donation to be considered for the additional donor seat. This proposal was unanimously accepted by the Board, and the Board resolved unanimously to grant the full voting rights proposed by the Committee.

3. The NGO Representative of the Community of People Living with the Diseases thanked the delegates, and stated that this was an outstanding moment for the Board.

Decision Points:

1. The Board approves, with immediate effect, the amendments to the Bylaws and Board Operating Procedures (as outlined below) that add a constituency represented by a representative of an NGO who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria (the "Communities delegation") as a full voting member of the Board.

2. The Board announces its intention to add an additional and balancing donor seat when new donor resources become available which meet an appropriate financial threshold.

Amendments:

Article 7.1 of the Bylaws is amended as follows:

7.1. Composition

The Foundation Board shall consist of nineteen voting members and four nonvoting members. Each voting member shall have one vote.

Voting members of the Foundation Board shall consist of:

- Seven representatives from developing countries, one representative based on each of the six World Health Organization ("WHO") regions and one additional representative from Africa.
- Seven representatives from donors.
- Five representatives from civil society and the private sector (one representative of a non-governmental organization ("NGO") from a developing country, one representative of an NGO from a developed country, one representative of the private sector, one representative of a private foundation, and one representative of an NGO who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria).

The four ex-officio nonvoting members of the Foundation Board shall consist of:

- One representative from the WHO; One representative from the Joint United Nations Programme on HIV/AIDS ("UNAIDS");
- One representative from the trustee; and
- One Swiss citizen with his or her domicile in Switzerland authorized to act on behalf of the Foundation to the extent required by Swiss law.

Members of the Foundation Board ("Board Members") may each appoint one Alternate Member to serve in their stead, under policies and procedures determined by the Foundation Board.

The third paragraph of Article 7.6 is amended as follows:

7.6 Operations

The Foundation Board shall use best efforts to make all decisions by consensus. If all practical efforts by the Foundation Board and the Chair have not led to consensus, any member of the Foundation Board with voting privileges may call for a vote. In order to pass, motions require a two-thirds majority of those present of both: a) the group encompassing the seven donor seats and the two private sector seats and b) the group encompassing the seven developing country seats, the two non-governmental organization seats, and the representative of an NGO who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria.

Section 10 of the Board Operating Procedures is amended as follows:

10. Decision-making

The Board shall use best efforts to reach all decisions by consensus. If all practical efforts by the Board and the Chair have not led to consensus, any member of the Board with voting privileges may call for a vote. In order to pass, motions require a two-thirds majority of those present of both: a) the group encompassing the 7 donor seats and the 2 private sector seats and b) the group encompassing the 7 developing country seats, the 2 non-governmental organization seats, and the representative of an NGO who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria.

Agenda Item 4: Report of the Executive Director

1. The Chair gave the floor to Professor Richard Feachem to present the Report of the Executive Director, circulated prior to the meeting.

2. The Executive Director provided a brief update on grant agreements and disbursements, noted the recent reorganization of the Secretariat based upon the feedback of the Board and grant recipients, and advised delegates of the recent launch of Friends of the Fund in Japan and the USA. He further paid tribute to his colleagues, JW Lee of WHO and Peter Piot of UNAIDS, with whom he co-authored, along with Jim Wolfensohn of the World Bank, an article for Science Magazine. The Executive Director closed his remarks by stating that he expected that the Board would be making critical decisions which impacted on Rounds 4 and 5, and remarked on the importance of keeping up the momentum.

3. The delegate from France thanked the Executive Director for his report, and advised the Board that a Friends of the Fund would be established in France. She also stated that the French Post would, on 1 July 2004, issue a special stamp with the name and logo of the Global Fund to raise public awareness of the organization in France. The delegate from Japan elaborated on the establishment of Friends of the Fund Japan, and expressed his appreciation to the Executive Director and the Chair of the Board for their kind support.

4. The delegate representing Communities of People Living with the Diseases expressed concern over the contractual terms of people living with HIV/AIDS employed at the Secretariat, and noted their concern for the high attrition rate of people living with HIV/AIDS.

5. Dr. Peter Piot clarified that UNAIDS was also actively involved in the harmonization of indicators, and that the USD 10 billion required was for the global AIDS effort, not solely for the Global Fund.

6. The delegate from West and Central Africa expressed concern for delays in grant signings and the slow rate of disbursement in the region. The delegate from the Western Pacific thanked the Executive Director for the Global Fund's support, but appealed to donors for more support to ensure that the three diseases would be combated, particularly in the Asia Pacific region. The delegate from the United States expressed concern about the slow rate of disbursements from Principal Recipients to Sub-Recipients, particularly to NGOs, and noted their delegation's concerns regarding the review of the Local Fund Agents by the Monitoring and Evaluation, Finance and Audit Committee (MEFA) before such a review was requested to be undertaken by the Board.

7. The delegate from South East Asia expressed concern that members of its delegation were unable to develop technically sound proposals without increased technical assistance. The representative of the Point Seven delegation thanked the Executive Director for his report, and in particular, his assessment of the future for the Global Fund. The delegate representing the European Commission and Belgium asked for further information on the establishments of Friends of the Fund and whether its aim was to increase contributions from the private sector, and asked if the prices of drugs would be posted on the Global Fund's website soon.

8. The delegate from East and Southern Africa asked that the record reflect that recent press coverage regarding statements made by the Executive Director regarding disbursements to South Africa was inaccurate, and requested that the Executive Director put systems in place to ensure that this does not happen again in the future. She further expressed her concern regarding the antiretrovirals purchased from developing countries being sold in developed countries at high margins, and the resistance being developed to Nevirapine.

9. The delegate from the Eastern Mediterranean expressed his concern regarding the low disbursement rate to his region, and the delegate from Eastern Europe requested clear guidance on policies and procedures to minimize disruption of funds. The delegate representing NGOs from Developing Countries expressed satisfaction regarding the performance of NGOs as Principal Recipients, but expressed her delegation's concern over the gender balance at the Secretariat.

10. The Executive Director noted that whilst he would not attempt to respond to all of the comments, he would address many of them. He stated his commitment to people living with HIV/AIDS, and would take the necessary steps required to improve the issue of diversity, especially at the senior level, at the Secretariat. He reminded delegates that the Global Fund had purchased supplementary health insurance for all staff members to cover all pre-existing conditions as a means of ensuring that people living with the diseases could accept employment with the Global Fund without risk to their insurance status. He agreed with several delegates that the slow rate of disbursements was of great concern, and that the Secretariat was doing its utmost to identify the bottlenecks in order to correct this. He assured delegates that the Secretariat had no intention of reducing the role of the Local Fund Agents, but sought to strengthen it and use the funds

spent on LFAs more effectively. He added that the Secretariat was facing a challenge in 2004, and that he had requested a shift of USD 2.5 million originally intended for LFAs to the Secretariat to meet critical staffing needs. He further stated that one of the goals of the Friends of the Fund was to raise funds from the private sector, and advised delegates that the prices of pharmaceuticals were now posted on the Global Fund website in an aim to ensure greater transparency and, ultimately, price reductions. He ended by thanking the Minister from South Africa, and announced that he had apologized to her in public, and thanked her for raising important issues regarding drug resistance.

Agenda Item 5: Fund Portfolio Update

1. The Chair gave the floor to Dr ElHadj Sy, Director of Operational Partnerships and Country Support within the Secretariat, to present the update on recent operations within Fund Portfolio Management.
2. Delegates expressed their appreciation for the update, and congratulated the Fund Portfolio Team on its work. However, some delegates expressed a level of concern over the dominance of the English language, and the frequent communications that come from the Secretariat in a language not their own. Other delegates stressed the importance of technical assistance, while others voiced their concern over the functioning of Country Coordinating Mechanisms (CCM), particularly those that try to control the Principal Recipient(s).

Agenda Item 6: Phase 2 Funding

1. The Chair gave the floor to the Chair of MEFA, Dr Sigrun Mögedal, and the Chair of the Portfolio Management and Procurement Committee (PMPC), Professor Francis Omaswa, to present the Committees' joint recommendations on the Phase 2 grant renewal process to be adopted by the Board and Secretariat in situations of resource constraints and other matters indicated in the Board paper GF/B8/8 circulated prior to the meeting.
2. The Chair of MEFA restated her concerns from the Seventh Board Meeting in regard to the delegation of Phase 2 renewal authority to the Secretariat, indicating that she believed that the Decision Points at the Seventh Board Meeting should be revisited by the Board. The Chair of MEFA also stated that the decision of renewal of a grant was a fiduciary responsibility of the Board and one that should be taken very seriously by the Board. The Committees' joint recommendations were then presented to the Board for discussion.
3. Respectively, the delegates from South East Asia and the Communities indicated concern that the question of what to do for Phase 2 renewals in the event of resource constraints was alarming at such an early time in the history of the Global Fund. They indicated that the Global Fund should continue funding for all programs that have performed satisfactorily and that a solution to any funding constraints must be found. A delegate emphasized that there were also ethical considerations which arose during a Phase 2 decision process.
4. The delegate from Canada proposed that any Decision Point on the priorities for grant funding should emphasize a focus on delaying the signing of new grant agreements rather than reducing any then current approved grant amounts. The Executive Director noted that it would be important for the Board to consider the application of a priority

system in the context of the reality that some grants move faster than others. Another delegate noted that if the Executive Director found himself at the point that he should no longer sign new grant agreements, this would be a matter to take to a special meeting of the Board as it would not be a routine procedure.

5. A delegate suggested that it may be appropriate for the MEFA and PMPC Committees to further consider their recommendations in light of the Board's discussions, and report further to the Board on the second day of the meeting. A delegate also noted that whilst the opportunity existed for these Committees to reconsider this matter, it would be important for the Board to know at the last Board meeting of each year whether extraordinary measures would need to be taken in regard to grant funding for the forthcoming year. The Chair of MEFA confirmed that such a position would be known in advance.

6. The Board agreed that the MEFA and PMPC joint Committee recommendations on funding priorities in the event of resource constraints would be adopted as proposed by the Committees, but that the issues discussed would be further evaluated by the Committees, with potential revisions to be referred back to the Board on the second day of the meeting.

7. The Chair of MEFA then referred to the joint Committee recommendations on sustaining on-going treatment beyond the term of a Global Fund grant, including through the development of broader country partnerships. The Chair of MEFA emphasized that the issue needed to be looked at against resource constraints of grant recipients. A delegate noted that it was appropriate for the Global Fund to focus on sustaining treatment beyond the five year grant term, and that any delay in treatment in such countries would have a detrimental health impact.

8. A delegate noted that whilst working to sustain ongoing treatment was important, it was appropriate for the Global Fund to also focus on the broader concept of sustaining the ongoing provision of services generally. However, a number of other delegates commented that although the provision of, by way of example, prevention services is important to the fight against AIDS, they believed that the Global Fund had an obligation to work to keep people on ARVs once they have received such treatment through a Global Fund grant. These delegates emphasized that treatment should take precedence irrespective of other considerations, and that any Decision Point should be constructed in such a way to reflect this appropriate emphasis.

9. The Board agreed that in view of discussions at the meeting, it was appropriate for the Board to adopt a position of the Secretariat focusing on exploring ways to ensure the ongoing provision of services at the conclusion of a Global Fund grant. The Executive Director noted that the cost implications of an expanded focus of work to be undertaken by the Secretariat would be assessed and advised to the Board.

10. The Chair of MEFA also updated the Board on the existing safeguards for the Phase 2 grant renewal and decision process, and presented an additional safeguard for consideration by the Board. It was proposed that the Board set a maximum limit for Phase 2 grant commitments for each subsequent calendar year based on information on the grants coming up for renewals.

11. The delegate from the United States noted that their constituency had considered the matter extensively and that any Decision Point on this item should fully reflect the key role of the Board in fiduciary matters. The delegate noted that a means of the Board bringing an appropriate level of review to the Phase 2 decision process would be by

means of a passive review, with the recommendation of the Secretariat to be approved unless three or more constituencies interjected.

12. The delegate from France, whilst supporting a light review process, noted that such a proposal was a deviation from the proposal adopted at the Seventh Board Meeting, and that it would have been helpful to have had a full and informed discussion during the MEFA meeting on all proposed options. Another delegate noted that in the absence of a discussion of a new proposal at a MEFA meeting, they were reluctant to move away from the decisions of the Seventh Board Meeting, which provided the Secretariat with the decision making authority in regard to the Phase 2 renewal process.

13. After considerable further discussion, the Executive Director noted that it was important to ensure clarity on the decision making authority in regard to the Phase 2 process given that a number of grants would be impacted by the Phase 2 process in a relatively short period of time. The Board agreed that it was appropriate for MEFA, PMPC and the Ethics Committee to further consider the issues arising in regard to sustaining the ongoing delivery of services.

Decision Points

Decision Point 1

1. The Board decides that special policies and procedures are required in the event of insufficient resources during a certain calendar year to fund all Phase 2 grant renewals. Such a situation of resource constraints would become evident at the final Board meeting of the previous year.

2. The Board decides that provided funding is available for at least one year of renewals, available resources will be allocated among all grants that satisfy the Global Fund's renewal criteria according to a time-limited partial allocation system.

(a) A time-limit for renewed grants should be established by the Board at the final Board meeting of the year prior to the year of renewals. This time limit will be based on conservative estimates of resource needs for renewals as compared to resources available for the calendar year of resource constraints.

(b) Initial amounts committed during the year may be adjusted at the end of the year based on actual resource needs for renewals as compared to resources available.

Decision Point 2

1. The Board decides that for subsequent year(s), the following priority system will apply in the event of resource constraints:

First funding priority: Unfunded portions of prior year(s) renewals.

Second funding priority: Renewals due in the current year. A time limited partial allocation system will be established as necessary (see Decision Point 1).

Third funding priority: New proposal rounds (as already established in the Comprehensive Funding Policy).

Decision Point 3

1. The Board recommends that if funding is not available for at least one year of Phase 2 grant renewals during a certain calendar year, special procedures will be decided by the Board at the final Board meeting of the previous year.

Decision Point 4

1. The Board recognizes the importance of sustaining ongoing treatment as well as prevention, care, and support services.

2. The Board requests the Secretariat urgently to explore internal mechanisms and to work with partners to develop options for the continuity of services through broader country partnerships associated with common national strategic frameworks for the three diseases. The Board requests the Secretariat to report back to MEFA, PMPC, and the Ethics Committee on these issues in time for the development of recommendations by the Ninth Board Meeting.

Budgetary implications of this decision point:

The additional cost of implementing this decision is approximately USD135,000.

Agenda Item 7: Trustee Report Resource Forecast for 2004

Trustee Report

1. The Chair gave the floor to the Representative of the World Bank, Ms Kyung Hee Kim, to provide an update on the current status of the Trustee's operations in regard to the Global Fund, and measures that were being taken at the World Bank to facilitate those operations. The Trustee Report to 31 May 2004, distributed prior to the meeting, noted 3 policy related issues as well as revolving reforms:

- (a) The new World Bank trust fund investment policy;
- (b) Multi-currency grant policy; and
- (c) Risk management - Promissory notes.

2. The Trustee's Representative explained that the new trust fund investment policy, which applied to all World Bank managed trust funds, provided for the separation of trusts funds into 2 separate pools based on their time horizon and risk tolerance. It also provided for the use of wider range assets, including asset backed products, such as mortgaged backed securities which were also used in the World Bank's own portfolio. Given the expected cash flow profile of the Global Fund Trust Fund, the Trustee's representative indicated that it was expected that it would be included in the longer time horizon tranche 2. The World Bank also expected that it would be possible to increase potential returns, albeit at a somewhat higher risk (which the funds could tolerate given the longer time horizon).

3. The Trustee's Representative noted that following MEFA's May 2004 meeting, a movement had been made to incorporating a degree of flexibility into the Global Fund's single currency grant system, to permit future flexibility. The representative also indicated preparedness on the part of the Trustee to work closely with the Secretariat towards operationalizing a multi-currency grant system, should such a decision be taken by the Board. The Trustee's representative also provided a brief update on transactions

that had taken place post the 31 May 2004 completion date of the Trustee's report for the Eighth Board Meeting.

4. The Chair thanked the Trustee's representative for the update on transactions, but expressed significant concern regarding the Trustee's overall management of the Global Fund account in terms of robustness of recommendations and flexibility to provide value added services in the context of the ostensibly low investment return of 1.5% pa, and the annual trust account management fee of USD 2 million paid by the Global Fund.

5. The Chair requested that the Trustee review the services it was providing to the Global Fund and make more substantive recommendations at the Ninth Board Meeting on measures that improve the Trustee's current handling of the Global Fund's account, and which maximize interest earned on the account. The Trustee was also asked to consider the remuneration paid by the Global Fund in the context of ensuring that the Global Fund could be certain that it was receiving appropriately priced services in the absence of a competitive tender for Trustee services. The comments of the Chair were strongly supported by all delegates.

Resource Forecast for 2004

1. The Chair gave the floor to Mr Barry Greene, Chief Financial Officer (CFO) of the Secretariat, who provided an update on the asset position of the Global Fund.

2. The CFO's report noted the forecast cash position of the Global Fund, which included assumed contributions from a number of donors at relatively conservative levels. Adjustments arising from favorable exchange rate fluctuations were also noted for the Board's information.

Agenda Item 8: Round 4 – Report of the TRP

1. The Chair introduced the agenda item by stating that the report to be presented by the Chair of the Technical Review Panel (TRP), Professor Michel Kazatchkine, reflected the very essence of why the Global Fund existed. The Board formally acknowledged the work of the Chair of the TRP as he confirmed that he would be stepping down from his position at the end of the Round 4 process. A small gift of appreciation was handed to the Chair of the TRP.

Analysis of Round 4 Grant Proposals

2. The Chair of the TRP presented the Report of the Secretariat and the TRP on Round 4 proposals (GF/B8/5), and acknowledged the work of the Secretariat and, in particular, the screeners and Ms Hind Khatib Othman. The Chair of the TRP noted that Ms Othman would be missed as she stepped down from her position, and that the TRP looked forward to working with Mr Zweschper, the new Proposals Manager. He noted that the strength and good performance of the TRP was strengthened by the improved TRP member recruitment process. He also noted that at the conclusion of Round 4, he and three other TRP members would be leaving the panel, having completed their maximum terms, and it was proposed that the Vice Chair take the position of Chair of the TRP from the beginning of Round 5.

3. By way of broad overview, the Chair of the TRP noted that:

- i. The overall average of successful proposals across Rounds 1 to 4 has been 38%, and that if the TRP's recommendations for Round 4 were approved, then

over the 5 years of the Rounds 1 to 4 approved proposals, 1.6 million people will have received ARV treatment through assistance from the Global Fund.

- ii. Where ambitious proposals had been presented for approval and were otherwise very strong proposals, the TRP believed it appropriate for the clarification process to explore whether first year budgets could be extended to cover the first two years of a proposal. The examples of Zambia, Tanzania and Ethiopia were cited.
- iii. Risk management procedures are required for large grant requests for ARVs, due to a risk of substantial grant funds being allocated but not spent during the grant period by reason that the proposed rapid scale up of ARV treatment is not achieved. One potential option was to consider whether CCMs could be encouraged to submit only appropriate proposals through a form of commitment charge if grant proceeds are not expended over the term of the grant.
- iv. Additionality was sometimes difficult for TRP members to assess, and the Board should look to provide greater guidance on what is required within proposals, including in situations where the request for a country is to replace an alternate donor who is no longer supporting a country in the relevant activity.
- v. There was a need for more visibility amongst donors in particular with the launch of PEPFAR.
- vi. Having regard to the comparatively small number of such proposals, the recommendation is that PMPC should consider removing the joint HIV/TB category option in proposals, to encourage applicants to work on a stronger incorporation of TB in HIV/AIDS proposals.
- vii. More guidance should be provided to the TRP on the acceptance of integrated proposals submitted to the Global Fund that covered areas such as strengthening national health schemes to enable access to less costly medicines or providing food supplements, as such proposals were sometimes difficult to assess in terms of the Global Fund's disease focus.
- viii. Confidentiality should be exercised on the discussions and review process until the Secretariat made TRP results public.
- ix. There should be a change to the policy which stipulates that when an alternate member of the TRP served as a substitute, they were not allowed to serve on the following round if the member came back, as this policy results in lost knowledge to the TRP.
- x. A specific recruitment process should be launched for the recruitment of TB experts prior to the assessment of Round 5 proposals, as there will be an absence of TB expertise after the departure of the retiring TRP members at the conclusion of Round 4.
- xi. The Board should adopt the PMPC recommendation of permitting the incoming Chair of the TRP to serve as Chair of the TRP for two further Rounds.
- xii. The Board should consider adopting a conflict of interest policy (COI) for retiring TRP members.

4. The Chair of the TRP noted that the success rate for first applicants was 25%, for second and third applicants it was 50-60%. He noted that, largely, this meant stronger proposals which had addressed absorptive capacity. However, the Chair of the TRP also noted that in many proposals technical assistance was uneven and either under funded or not budgeted for within proposals.

5. Several delegates thanked the Chair of the TRP for the report and his outstanding service as he stepped down from his position as Chair of the TRP. One delegate noted that under The Chair of the TRP the Global Fund had gained credibility and trust, and this had to be recognized.

6. In response to a delegate's enquiry on re-submitted proposals, the Chair of the TRP noted that a substantial number of well-written proposals with clear and relevant objectives, reasonable budgets, and easy-to-follow work plans were received by the TRP. It was also noted that improved proposals had been submitted by repeatedly rejected countries as a result of increased technical assistance and incorporation of previous TRP comments. However, the Chair of the TRP indicated that overall, integrated, regional and co-investment proposals did not fair well because:

- (a) Integrated proposals did not demonstrate relevance to the Global Fund's focus on the 3 diseases;
- (b) Regional proposals did not appear to demonstrate the necessary element of additionality; and
- (c) Co-investment proposals demonstrated that this was an area that had made less progress than may otherwise have been assumed.

7. A number of delegates raised concerns regarding the lack of strict guidelines on how regional proposals would be treated by the TRP given the relatively low success rate of such proposals in Round 4. The delegate from the Eastern Mediterranean expressed disappointment that whilst EMRO countries had a high prevalence of malaria, no EMRO malaria proposal was approved in circumstances where 42% of the category 1 or 2 Round 4 proposals recommended for funding were for malaria. The delegate commented that the overall success rate of proposals from the region continued to be very low at less than 5%, reflecting that something was wrong in proposal formulation and submission. The delegate requested technical assistance for proposal formulation to raise success rates of proposals from the region. It was also noted that the particular circumstances of the EMRO region lent themselves to regional proposals, by reason that malaria was a multi-country and non-boarder specific disease. It was stated that should multi-country proposals not be recommended for funding by the Global Fund on an ongoing basis, there would be a marked decline in important proposals from this region.

8. Another delegate also commented on the imbalance in the distribution of proposals to the Africa region versus the rest of the world in circumstances where the 'global' nature of the Global Fund did not appear to have been adequately balanced during Round 4. However, a delegate responded to this statement, indicating that the world knows that HIV/AIDS is a pandemic, and that the pandemic is in Africa, and that 60% of malaria and a high burden of the tuberculosis crisis are in Africa also.

9. Another delegate noted that in discussions on the functioning of CCMs during the meeting, it would be appropriate to reflect on why all three private sector applications for Round 4 were not successful, as there may be systemic issues at the CCM level contributing to such successes.

10. The introduction of a COI policy for TRP members was raised for discussion by the Chair following the Chair of the TRP noting that one option was for retiring TRP members to be disqualified from assisting with Global Fund proposal development and/or participating as a member of a Country Coordinating Mechanism (CCM) for two Rounds after the last Round on which the person served as a member of the TRP. A delegate noted that such a policy prevented countries from benefiting from the valuable experience held by experts, and that the Board should carefully consider the implications of adopting such a policy.

11. In view of the compulsory retirement requirement for the four retiring members of the TRP, including the Chair of the TRP, the Chair also proposed that the Board give strong consideration to reviewing the requirement for TRP members to retire at the completion of their currently permitted term, as the significant loss of experienced TRP members

should be carefully considered. One delegate noted that it had been their constituency's understanding, and it remained their preference, for TRP members to serve their terms by Round and not also be limited by length of year's service. The delegate confirmed a willingness of their delegation to take the lead in reviewing the situation. In the context of the discussion, the Chair of the TRP confirmed that as at this meeting, experts were entitled to serve on the TRP for four Rounds or over four years, whichever came first. The Chair noted that there were eleven new TRP members and asked why those who wished to continue were not allowed to do so, and suggested that this issue be considered further by the appropriate Committee.

12. The incoming Chair of the TRP confirmed the comments of the current Chair of the TRP on the question of continuation of members, adding that he felt they should be allowed to continue if they believed it appropriate to do so.

13. Some delegates commented on the recurring nature of the debate on additionality, and that this issue also required consideration of absorptive capacity at country level. They noted that many donors were not addressing long term capacity building, and it was important to look at funding activities in terms of need to build local capacity. In the context of whether a request for funding from the Global Fund was actually additional, the World Bank representative commented that they had some experience where circumstances of doubling funding was occurring, although this had been solved in many countries. With a view to assisting the TRP in assessing additionality, **the World Bank representative offered to provide the TRP with a list of all World Bank programs, and proposed that the same information could be provided by PEPFAR.** The delegate from the European Union supported this proposal and called on all delegates to report on other donor activities with which they were associated to heighten the TRP's assessment of additionality. The delegate noted that whilst such reporting may be a little challenging because of the nature of the aid provided by the European Union, they would do their best.

14. Delegates reiterated that there was a need for a deepened and strengthened public sector response to the diseases, strengthening of monitoring and evaluation activities, and accelerated access to treatment. These delegates noted that the dichotomy of HIV/AIDS was that it was not just a health problem and the Ministry of Health was not the only player.

15. The delegate from the Communities congratulated the TRP, and was pleased to hear that 1 million people would be on ARVS with the approval of TRP recommendations for Round 4. The delegate noted that Round 4 was significant in scaling up treatment and increasing the budgetary commitment to HIV/AIDS. The delegate commented that he had also heard from the TRP how proposals in category 3 had been supported to improve their quality and chances for funding, which was linked to Round 5. The delegate, amongst others, expressed support for a call for Round 5 proposals to continue with the momentum created by the establishment of the Global Fund.

Funding Availability for Round 4 TRP Recommended Proposals

16. In response to an enquiry from a delegate as to the affordability of the Round 4 proposals, the CFO of the Secretariat indicated that the Global Fund's budget forecasts were based on a series of assumptions which were then presented to the delegates. The delegate then enquired as to whether the Global Fund would hold sufficient funds in 2005 to meet grant disbursements with the approval of the TRP's recommendations for Round 4 if grant renewals went forward at an average of 80% and donations to the Global Fund remained relatively stable. The CFO responded, indicating that on the assumption that

contributions remained at about USD 1.4 billion per annum, the cash requirement for 2005 would be USD 2.3 billion.

17. The delegate from Canada highlighted that Canada had increased funding and requested that others do the same. The delegate also noted that it would be important for the Board to resolve the issue of ensuring sufficient on-going resources before approvals commenced for Phase 2.

18. The Executive Director thanked the Chair and the delegate from Canada, and clarified the funding capabilities of the Global Fund should current contributions remain stable. However, the Executive Director also emphasized that it was important to consider the conservative nature of the comprehensive funding policy (requiring liquid assets to be on hand prior to the signing of any grant agreement, including those for Phase 2) in the context of the discussion, as this policy would result in the accumulation of USD 5 billion in cash reserves by 2007. He also emphasized that on current projections and with an unchanged comprehensive funding policy and without an increase in annual contributions, the Global Fund would not have sufficient resources to sign renewals for all grants through to 2009 (to complete the proposal period for all Rounds 1 to 4 grants).

19. One delegate noted that in the context of the discussion, it would be useful for delegates to be provided with a full financial analysis for the full five year life of the grants, to add to the material already supplied based on the initial two year commitment that the Board was being asked to approve for Round 4 at the meeting. Another delegate noted that, as on prior occasions, where funding shortfalls were identified, it was important for the Board to locate adequate resources.

20. Delegates concurred that the comprehensive funding policy of the Global Fund was conservative, and that funds on deposit were in low risk products. One delegate asked the Board to reflect on how it could be explained to countries in significant need that whilst the Global Fund held cash reserves of USD 5 billion, it may not be placed to fully fund Round 4 and a Round 5. The delegate requested that the Board again discuss the need for the Global Fund's resources to be replenished continually. The delegate expressed that whilst a level of caution about affordability was appropriate, funding of Round 4 grants should not be stopped.

21. In response to a number of comments from delegates, the Executive Director noted that the Global Fund had very prudent and conservative funding policies, and that work was being done on the funding policy for 2005 and 2005. He concluded by noting that it remained critical to drive up contributions to the Global Fund. In this context, a delegate clarified that in respect of Round 4, the Board was being asked to approve proposals for Round 4 as recommended by the TRP, but only commit funding for the initial two years of the potential five years of those proposals.

22. A number of other delegates noted that whilst they fully acknowledged that the commitment being discussed at the meeting was for an initial two year team, they appreciated the ethical and moral issues arising in the face of the five year proposals that had been considered by the TRP. The Chair noted that in view of the delegates' discussions, it was the responsibility of all delegates to do all that they could in terms of the 2005 replenishment mechanism session, and also encourage contributions from all other possible sources.

Report of the PMPC

23. In presenting the report of the Portfolio Management and Procurement Committee (PMPC) on the TRP, the Chair of PMPC noted the comments of the Chair of the TRP, adding that:

- (a) the quality of the TRP work is very high;
- (b) there is a pool of well qualified persons available to replenish membership of the TRP over time, and Stop TB is working closely with the TRP to locate suitable persons to fill the void that will be created upon the pending retirements taking effect;
- (c) the process of completing TRP clarifications should be one that is highly interactive, and it is desirable for the Secretariat to work with PMPC on the Round 4 clarifications with a goal of increasing the success of category 2 proposals; and
- (d) relevant to donor harmonization, both at the global and local level, it is important to ensure the attention of all to this important initiative. The Chair of PMPC noted the key role of Governments and strong CCMs in providing leadership on harmonization.

24. The question of whether the four retiring TRP members ceased membership at the end of the Round 4 clarifications, or continued to hold their position until any call for Round 5 was also discussed. **Mr David Sullivan, Senior Legal Counsel for the Secretariat confirmed that the Secretariat would consider this issue and advise the TRP further.**

25. The Board considered three recommendations set out in the PMPC report in regard to: certain exemptions being granted to two Round 3 applicants in regard to TRP clarification timing; exempting the incoming Chair of the TRP from the requirement to leave the TRP after four Rounds of proposal review, and; commending the TRP, and its outgoing Chair, for their dedicated efforts. Each proposal was adopted by the Board unanimously. Having obtained unanimous consent, **the Chair confirmed that the Board would write to each of the other three outgoing TRP members to formally thank them for their contribution to the TRP.**

Decision Points: TRP Report: Grant Proposals

Decision Point 1

1. The Board approves for funding the proposals recommended by the Technical Review Panel, and according to the categories listed below, with the clear understanding that budgets requested are upper ceilings rather than final budgets and the Secretariat should report to the Board the results of the negotiations with Principal Recipients on the final budget for acknowledgement (Report of the Technical Review Panel and the Secretariat on Round Four Proposals: Annex II).

Category 1: Recommended proposals with no or minor clarifications, which should be met within 4 weeks and given the final approval by the TRP Chair and/or Vice-Chair.

Category 2: Recommended proposals provided clarifications are met within a limited timeframe (the initial reply to TRP clarifications 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 initial reply from the applicant). The TRP Chair and/or the Vice-Chair shall give final approval based on consultations with the primary and secondary reviewers.

Category 3: Not recommended in their present form but are encouraged to re-submit.

Category 4: Not recommended for funding.

Decision Point 2

1. The Board acknowledges the lessons learnt by the Secretariat and the TRP during the Round 4 process and requests the PMPC to further consider the Report of the TRP and to recommend specific actions to address the issues raised by the TRP, and to address the length of time TRP members are permitted to serve on the TRP at the Ninth Board Meeting.

Decision Points: PMPC Report

Decision Point 1

1. The Board exempts the Round 3 proposals from the Angola CCM on malaria and from the Benin CCM on malaria from the requirement that all 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, in light of the evidence presented by the TRP that this timeframe was impossible to meet due to delays caused by the unavailability of TRP reviewers.

Decision Point 2

1. The Board exempts the incoming Chair of the TRP, Jonathan Broomberg, from the requirement that TRP members leave the TRP after four Rounds of proposal review, in light of the need for continuity in the leadership of the TRP.

Decision Point 3

1. The Board commends the Technical Review Panel for its dedicated efforts to ensure that Global Fund financing targets only technically sound proposals. Special recognition is given to the outgoing chair of the Technical Review Panel, Michel Kazatchkine, for his leadership, vision, and dedication to the development of the Technical Review Panel.

Agenda Item 9: Legal Status Conflict of Interest

Legal Status

1. The Chair gave the floor to the Chair of the GPC to present its recommendations on this item, as assisted by John Burke of the Secretariat.

2. The Chair of the GPC indicated the historical reasons for the Global Fund's current arrangements (including the services agreement with WHO), and spoke to the Board paper on this item, setting out the consequences and benefits of entering into a headquarters agreement with the Swiss Federal Council.

3. The Chair noted the outstanding achievement of reaching an agreement on the headquarters agreement, and complemented the Secretariat and the GPC on reaching this point. A request was made for the Secretariat to also thank the Swiss Federal Council. **The Chair proposed that the Secretariat write to the Swiss Federal Council for this purpose.**

Conflict of Interest

4. The Chair of the GPC presented the recommendations on the acceptance of an amendment to the Ethics and Conflict of Interest Policy, through the insertion of a new section defining a waiting period of one year before eligibility for employment. The proposed amendment was unanimously approved without comment.

Decision Point: Legal Status

1. The Board authorizes the signing of Headquarters Agreement based on the text of the agreement as set out in Annex 4a to the Report of the Governance and Partnership Committee GF/B8/7.

Decision Point: Conflict of Interest

1. The Ethics and Conflict of Interest Policy is amended by inserting the following as section seven, and re-numbering the policy accordingly:

‘7. Any individual who has served as a Board member, Alternate, a member of a Board committee, or as Chair or Vice Chair of the Technical Review Panel shall not be eligible for employment by the Global Fund Secretariat until one year following their last date of service in such a position. The Ethics Committee may waive this provision as appropriate’.

Agenda Item 10: Logo Policy

1. The Chair gave the floor to the Chair of the Resource Mobilization and Communications Committee (RMCC) to present the Committee’s recommendations.

2. The Chair of the RMCC indicated that as the Global Fund develops its relationships, it was important to have an agreed upon policy on the external use of the Global Fund name and logo. He then introduced the Global Fund’s proposed policy guidelines for the external use of the Global Fund name and logo, which guidelines comprised the recommendation to the Board on this item. It was confirmed that those utilizing the Global Fund name and logo under the guidelines as proposed would not be charged for that use. It was also confirmed that other logo policies and guidelines were taken into account but that the recommendation to the Board was not a replication of any specific work.

3. One delegate indicated that it was important for the Global Fund’s promotion that there be an ability to make use of the Global Fund name and logo. **The delegate also suggested that such guidelines be available in the language of the countries that would be making reference to the guidelines.**

4. Another delegate queried why the Global Fund Secretariat proposed such guidelines when other donor agencies did not have such specific rules. Dr Christoph Benn of the Secretariat indicated that the material compiled to form the guidelines was based on internal legal counsel advice, and not on other guidelines.

Decision Point: Logo Policy

1. The Board adopts the 'Logo Policy and Guidelines' as articulated in Annex 4 of the Resource Mobilization and Communication Committee Report GF/B8/10.

Agenda Item 11: In-Kind Donations

1. The Chair gave the floor to the Chair of PMPC to present the Committee's findings and recommendations.

2. The Chair of PMPC noted that In-Kind Donations, and the potential acceptance of such, had been a matter of considerable prior discussion. As an agenda item, it was discussed at the Fourth and Fifth Board Meetings, and before the Sixth Board Meeting the Board requested further consideration be given to issues such as conflicts of interest, legal liability, sustainability, and valuation. Thereafter, the Board requested a joint PMPC and RMCC working group to further consider In-Kind Donations, and report to the meeting.

3. The Private Sector delegate stated that In-Kind Donations are the most important way to build on public-private partnerships and a way to contribute resources to The Global Fund. The delegate expressed disappointment that the Committees' joint recommendations to the Board were to further explore pharmaceutical products for in-principle acceptance at a later time. It was proposed that any decision taken by the Board in regard to In-Kind Donations at the meeting accept, on an in-principle basis, both pharmaceutical and non-pharmaceutical In-Kind Donations.

4. Many delegates commented that whilst they are very thankful to the private sector for their contributions to the Global Fund and their efforts in strengthening private-public partnerships, the business of the Global Fund should continue to be that of a funding mechanism. They indicated that if the Board was to accept In-Kind Donations, and pharmaceutical products especially, the Global Fund would be departing from this core principle.

5. Several delegates, the predominate number of which represented donor recipient constituencies, stated that the Global Fund should not accept In-Kind Donations. These delegates also stated that one of the most significant benefits of the Global Fund grant program was that it provided financial assistance that countries could use themselves, and this was the preferred course for future Global Fund assistance. It was further stated that to move to include In-Kind Donations as a means of assistance was to impose conditions on recipient countries, and this was contrary to Global Fund policy. Thus, the delegates recommended that should a country wish to accept some form of In-Kind Donation, this was a matter to be determined between the supplier of In-Kind Donations and the country itself and the Global Fund should not act as a broker. It was proposed that this was the most appropriate means of ensuring there was proper consideration of, amongst many complex considerations, any regulatory implications arising from the supply of In-Kind Donations or potential uncertainty in regard to on-going availability of pharmaceutical supplies after the In-Kind Donation supplies were utilized.

6. One delegate proposed that the highest level of involvement that might be appropriate for the Global Fund would be as a referral source for either In-Kind Donation donors, or countries seeking such assistance.

7. Some delegates recommended delaying any decision on the acceptance of In-Kind Donations until a feasibility study/business plan was completed by the Secretariat. Other delegates reminded the Board that a considerable amount of work had already been

conducted on the subject, and that conducting a study would have cost implications for the Secretariat. These delegates stated that it was time for the Board to come to a decision on this issue.

8. The Chair observed that on the basis of discussions during this session, it appeared that a decision to accept In-Kind Donations for pharmaceutical and non-pharmaceutical products on an in-principle basis may not be made during the session. The Chair acknowledged that in the context of his significant travels to continue to raise money for the Global Fund, he understood the complexity of the issue, particularly with respect to HIV/AIDS medications. However, the Chair informed the Board of a recent approach made to the Global Fund, through the office of the Chair, by the company that produces Coartem, the newest and most effective drug to fight malaria. Having regard to the pressure of knowing that use of this drug could save the lives of thousands of people, yet also very conscious of the need to ensure that important safeguards would have to be included in any In-Kind Donation of this nature, the Chair recommended that the Board look at the possibility of accepting this specific gift at some future time, although he stated that he would agree with whatever decision the Board takes.

9. Having been determined by the Board during the session that any decision on In-Kind Donations would not include in-principle acceptance of all pharmaceutical products, a delegate proposed that the Board consider a Decision Point which resulted in tuberculosis and malaria pharmaceutical products being afforded in-principle acceptance in addition to non-pharmaceutical products.

10. The non-voting representative for WHO and the Global Fund secretariat were each invited to address the Board on their experiences with In-Kind Donations, including the mechanics of any arrangements, and their capacity to manage these arrangements. WHO informed the Board that it has agreements for differential pricing and for donations and packages that are accepted according to treatment guidelines and what is rational.

11. The Executive Director informed the Board that:

- (a) any In-Kind Donation arrangement would have to comply with all Global Fund procurement procedures;
- (b) the Global Fund receives In-Kind Donations itself from a variety of sources and these have been very valuable; and
- (c) in the area of pharmaceuticals, mechanisms are in place for In-Kind Donations through WHO's existing and future arrangements.

12. The Executive Director advised that the Secretariat does not presently have the capacity to manage any In-Kind Donations beyond the arrangements which it presently has, and should this role increase, the Global Fund would have to outsource the function. He further stated that launching a study in the amount of US\$ 300,000 – 350,000 is not recommended unless it was clear that any findings or recommendations of the study were to be implemented.

13. The Chair of the RMCC provided a point of information regarding the discussions during the joint committee working group meetings on In-Kind Donations, namely, that the working group members were challenged to arrive at a consensus point on In-Kind Donations, and the Board Paper did not reflect the views of all committee members.

14. A number of delegates, separately, presented proposed motions for decision by the Board on In-Kind Donations, with a view to reflecting the tenor of the extensive discussion by the Board during the session. Several delegations noted that any decision point that introduced a concept of encouraging countries to 'avail' themselves of In-Kind

Donations, would, in line with earlier discussions, inappropriately seek to influence countries to take these donations in lieu of cash.

15. There having been extensive discussion about potential decisions in regard to In-Kind Donations, the Board returned to consider the recommendations of the joint RMCC and PMPC working group. The delegate for the United States formally noted for the record that in light of discussions by the Board, any Decision Point of the Board on In-Kind Donations including a statement about exploring the possibility of pharmaceutical In-Kind Donations would be a little disingenuous, although he was not advocating that concept not be included as a component of any decision.

16. Subsequent to the Board further considering the original recommendations set out in the Board papers, no decision was taken by the Board in regard to In-Kind Donations.

Agenda Item 12: Eligibility

Preparation for Fifth Call for Proposals

Eligibility

1. The Chair of the PMPC presented the Committee's proposal for amended eligibility criteria, noting that the subject has been a matter of much discussion at prior Board meetings, and that there appeared to have been a number of background discussions in the lead up to the agenda item.

2. He confirmed that the PMPC recommendation was that counterpart financing should be the basis for eligibility. He also indicated that whilst, ostensibly, the proposed counterpart financing figures may appear low in comparison to other donors, countries that apply for Global Fund grants often have not contributed to programs sufficiently themselves, and a lower threshold was proposed as a means to encourage such countries to utilize more of their own resources to fight the diseases. It was also indicated that non-CCM applications were recommended to be exempt from the counterpart financing criteria because they do not have money that CCM proposals have.

3. The 3 recommendations of the PMPC were considered by the Board as individual decision points.

4. On the first decision point, the acceptance of a single eligibility criterion of counterpart financing, two delegates indicated the importance of enabling countries and/or regions to take ownership, build domestic capacity and protect the human capital that is being eroded.

5. The motion to accept 'counterpart financing' as a single eligibility criterion was adopted unanimously.

6. As a second item, the Board then considered what minimum level of counterpart financing should be requested of grant applicants in future requests for funding to the Global Fund, depending on the applicants' income status. The Chair of the PMPC confirmed that it was proposed that any minimum counterpart financing level adopted by the Board would be included in future proposal forms, to inform applicants when applying that they will be expected to contribute to the programs at the levels stated in the proposal forms.

7. A number of delegates noted that the poverty focus of the Global Fund was a key matter for the Board to consider when proposing to introduce minimum counterpart

financing levels. They also acknowledged that the proposal by Japan (to introduce the principle of progressive levels of counterpart financing over the 5 year grant lifetime) would be beneficial in the interests of encouraging grant recipients to, increasingly, take over a greater level of the financing obligation of in-country programs.

8. Some delegates questioned the basis upon which the Board could be requested to set minimum, and potentially, progressive, counterpart financing levels. They indicated that the Board should not adopt a proposal that prevents countries from obtaining grants from the Global Fund if those countries are impoverished and could not meet the counterpart financing criterion as it applies to their income level.

9. Discussions followed as to what might comprise an appropriate initial counterpart financing level for Lower-Middle Income and Upper-Middle Income applicants, and what level of counterpart financing should progressively be reached over the proposed duration of the Global Fund grant.

10. During the discussion, the World Bank was invited to comment on what, in the experience of the Bank, would comprise an appropriate level of counterpart financing from a country or region in such circumstances. The World Bank indicated that no formal rule existed in regard to counterpart financing by grant recipient countries, and that country circumstances impacted on what might be considered appropriate in the circumstances.

11. Discussion also followed concerning the appropriateness of exempting non-CCM applications from a progressive counterpart financing criterion, should it be adopted by the Board for future proposals. Some delegates noted that such an exemption may have the potential to offer, unintentionally, a form of inducement for grant applicants to move outside of the important CCM process.

12. Delegates agreed that the Board strongly supported CCMs and their role in proposal development and submission to the Global Fund. It was also clarified that any progressive counterpart financing requirement adopted by the Board, should apply the progressive levels to the full term of the proposal (which was usually likely to be 5 years) and not the shorter and initial 2 year grant period.

13. A motion to introduce minimum and progressive levels of counterpart financing for Upper-Middle Income and Lower-Middle Income future proposals was adopted unanimously (20% counterpart financing from Upper-Middle Income countries; and 10% from Lower-Middle Income countries). It was agreed that non-CCM proposals would be exempted from such requirements.

14. It was noted that delegates representing countries which may be affected by the newly adopted Upper-Middle Income progressive counterpart financing requirements, would refer their positions to PMPC and that Committee could then report on issues arising at the Ninth Board Meeting.

15. As a third element of a revised eligibility framework for future proposals, the Board considered the relative appropriateness of the Board further defining the eligibility criterion "focusing on poor or vulnerable populations". The PMPC proposed that applicants be allowed to use their own definitions.

16. One delegate questioned whether it would be more appropriate to allow countries to define their eligibility criteria, provided that there was a focus on both poor and vulnerable populations. A number of other delegates indicated that in the context of the Lower/Upper-Middle Income discussions before the Board, it would not be appropriate to

introduce a requirement that necessitated support of a program only if it focused on poor populations as part of the proposed in-country response.

17. A motion to allow countries to use their own definitions of poor or vulnerable populations was adopted.

Preparation for Fifth Call for Proposals

18. The Chair of the PMPC introduced the recommendations of the Committee by stating that the recommendation was that work commence towards a fifth call for proposals. There was no proposal from PMPC that the fifth round be immediately called.

19. A motion requesting the Secretariat to commence work on a fifth call for proposals was adopted without discussion.

WHO Update on Pre-qualification of PSM Agents

20. WHO, in its non-voting ex-officio capacity, provided an update on appropriate procurement and supply management (PSM) arrangements in the context of seeking to encourage countries to select their own procurement experts.

21. In the context of the three suggested courses of action for the Board, the delegate from WHO noted that the material presented comprised discussion points only.

Decision Points: Eligibility

1. The Board replaces the current eligibility criteria of “co-financing” and “moving over time to an increasing reliance on domestic resources” with a single criterion termed “counterpart financing.” The Board adopts the following definition of counterpart financing:

a. Counterpart financing encompasses all domestic resources (including contributions from governments, loans from external sources or private creditors, debt relief proceeds, and private contributions such as from non-governmental organizations, faith-based organizations, other domestic partners, and user fees) dedicated to the disease program; and

b. Counterpart financing is in the form of parallel financing.

2. The Board requests the Secretariat to only deem eligible proposals from Upper-Middle Income countries that demonstrate 20% counterpart financing, and from Lower-Middle Income countries that demonstrate 10% counterpart financing for the first year of proposed Global Fund grant implementation.

3. The Board requests proposals to demonstrate a progressive increase in counterpart financing over the proposed duration of a Global Fund grant from 20% to 40% for Upper Middle Income countries and from 10% to 20% for Lower Middle Income countries.

4. The Board exempts non-CCM proposals from the counterpart financing requirement.

5. The Board will not further define the eligibility criterion “focusing on poor or vulnerable populations” and instead will allow applicants to use their own definitions of poor or vulnerable populations. The Board requests the Secretariat to work with partners such as the World Health Organization, UNAIDS, and the World Bank to further refine this term in order to provide guidance to applicants.

Decision Point: Preparation for Fifth Call for Proposals

1. The Board requests the Secretariat to begin preparations for the Fifth Call for Proposals to enable a decision at the Ninth Board Meeting on the Fifth Call for Proposals.

Agenda Item 13: Timeframes for Grant Agreements

1. The Chair gave the floor to the Chair of MEFA to introduce this agenda item and present the Committee’s recommendations. The Chair of MEFA noted that there are many areas during the proposal process where time lines are not defined, and there are many opportunities for delay during the process. In those circumstances, MEFA recommended that there should be a maximum time frame during which grants should be signed, so that the Board can re-circulate the grant funds held for those grants that do not result in signed grant agreements.

2. The recommendation of MEFA to the Board was that there be a proposed maximum grant signature time frame of 12 months from grant approval to grant agreement signature, and that this time frame apply to all stakeholders. It was also recommended that in exceptional cases, the Board approve an extension up to a maximum time frame of 3 months, but otherwise, a grant would be considered no longer approved outside the 12 month period. It was suggested that the MEFA recommendations be presented and adopted as a package.

3. At the suggestion of one delegate, the Board agreed that any proposal adopted by the Board which provided a maximum time limit for grant signature, should also provide that the relevant non-utilized grant funds should then become available for other priorities according to the Global Fund’s financial policies.

4. The Executive Director questioned the retroactive effect of such a decision on Round 1, 2 and 3 grants having regard to the historical timing of these earlier Board approvals. The Chair of MEFA indicated that MEFA considered it appropriate for the Secretariat to further analyze the effect of any decision points after those decision points had been taken. In reply, the Executive Director noted that the practical effect of a decision by the Board as proposed by MEFA would be that all unsigned Round 1 and 2 grants would be, on the taking of the proposed decision points, immediately null and void. The Chair proposed that the Board consider making an exception to that eventuality at the time of taking any decision in regard to a maximum timeframe for grant signature, and this proposal was adopted unanimously.

5. One delegate also proposed that any exception to the maximum time limit adopted by the Board for Round 1 and 2 grants, be applied at the discretion of the Global Fund, to permit the Board to consider whether in all the circumstances it was appropriate for the grant recipient to continue to have access to the grant if the grant agreement remained unsigned. This proposal was not further considered by the Board in its discussions.

6. There was also discussion about whether a similar exception should be made for Round 3 grants, and after this proposal was discussed but not adopted, the Vice Chair of

the Board expressed significant regret that the Board did not believe it appropriate to make such an exception when considering the MEFA recommendations.

7. For Round 3 and all subsequent grant rounds, one delegate proposed that there be no time limit on the extension that may be allowed by the Board for a grantee not able to complete a grant agreement within 12 months from Board approval of the relevant grant. The delegate noted that where delay is because of the political situation in a country, rather than for technical reasons, the Board should consider an unlimited extension. This proposal was not further considered by the Board in its discussions.

Decision Points: Timeframes for Grant Agreements

Decision Point 1

1. The Board recommends that a maximum time limit is needed for a proposal to result in one or a few grant agreements to set performance incentives for all actors involved in this process. This includes the Secretariat, the TRP, LFAs, CCMs and PRs, with responsibilities to be clearly defined. Based on these specified responsibilities, all actors are accountable for completing the necessary work between Board approval of a proposal and grant agreement signing as swiftly as possible.

Decision Point 2

1. The Board recommends that the normal time from Board approval of a proposal to grant agreement signing should be approximately 6 months. If a grant agreement has not been signed 12 months after Board approval, the proposal should no longer be considered approved unless the Board decides to allow a further exceptional time extension based on information received from the Secretariat and CCMs. This time extension will be limited to a maximum of 3 months.

2. Based on further experiences with Global Fund processes, the Secretariat will provide improved estimates on the time required to complete the work between Board approval and grant signing to MEFA before the November Board meeting. At this time, the Board may decide to shorten the maximum time limit specified in decision point 2.

3. The resources allocated to a Board-approved proposal that has no signed grant agreement within the specified time period shall be made available for other priority uses according to the Global Fund financial policies.

4. This policy shall not apply for Rounds 1 and 2.

Decision Point 3

1. The Board recommends that the Secretariat analyze possible implications for proposals approved in Round 3 for which grant agreements have not been signed within the maximum time limit specified.

Agenda Item 14: Protection from Exchange Rate Fluctuations

Top-Up Grants

1. The Chair of MEFA introduced the item, indicating that the question of whether 'top-up grants' should be utilized as a means of protecting against exchange rate fluctuations

had been discussed by the Board at prior meetings, with no decision points having been taken.

2. The Chair of MEFA indicated that the unanimous position of MEFA was that top-up grants were not an appropriate mechanism, and this option should not be pursued. After clarification that this proposal did not impact on the Board's consideration of multi-currency grants, this proposal was unanimously adopted by the Board.

Multi-Currency Grants

3. The Chair of MEFA indicated that MEFA's recommended in-principle acceptance of multi-currency grants, without greater specificity, was made on the basis that the Committee believed that a greater degree of work could be done to ensure full comprehension of the implications of such a policy.

4. One delegate indicated that in light of the widely accepted use of the Euro, both by the World Bank in its loan program, and by other donors and grant recipients under bilateral arrangements, the Board should agree that proposals could be submitted to the Global Fund in USD or Euro denominations, and that grant agreements may be signed in either, the selection being recipient driven. It was indicated that this was an effective means of ensuring that grant recipients were protected against exchange rate fluctuations, as recipients could obtain guaranteed exchange rates based on existing practices. This position was supported by a number of other delegates during the course of discussions.

5. The Executive Director noted that a decision by the Board to adopt multi-currency grants should include consideration of any capacity issues and operational costs that may flow to the Secretariat, including any additional costs arising from the trustee relationship with the World Bank.

6. During discussions it was confirmed by the Secretariat that the Global Fund accepted donations in any currency, whether such donations were by cash or promissory note. It was also agreed that this position did not require restatement in any decision point of the Board on multi-currency grants.

7. The World Bank representative confirmed that the World Bank already works in multi-currencies for other customers, and it was technically possible for the Bank to adopt its trustee relationship with the Global Fund to a multi, or at a minimum, dual currency arrangement. It was however noted that there would be a one-time cost for system development, and then potential implementation matters that will require consideration on an on-going basis.

8. One delegate questioned whether it was appropriate for there to be any prior agreement of the Board to payment of an amount to the World Bank for this one-time system improvement cost, as a potential amount of up to USD 150,000 appeared to be a considerable amount of money. Other delegates noted that it appeared considerable more work would be necessary before the Secretariat and the World Bank understood the full budgetary implications of any decision on multi-currency grants. In the circumstances it was agreed that the Secretariat should determine the costs of working in multi-currencies with input from the World Bank, and that an allowance for such expenses would be appropriate if the Board adopted the recommendations of MEFA.

9. In the context of ensuring that as few barriers to grant implementation existed as possible, the representative from UNAIDS requested that the Secretariat prepare an assessment of the delays and barriers to countries getting Global Fund grants into an

operational phase. **The Executive Director agreed that the Secretariat would work closely with UNAIDS to determine a time and cost effective means of the Secretariat sharing information on delays in grant implementation with the Board.**

Decision Point: Exchange Rate Fluctuations

The Board recommends that the option of top-up grants should not be pursued as mechanisms to protect against exchange rate fluctuations.

Decision Point: Multi-Currency Grants

The Board recommends the following:

1. From 2005, proposals submitted to the Global Fund may be denominated in USD as well as in Euro.
2. Grant agreements may be signed in USD or Euro, depending on a recipient's preference. Disbursements will be made in the denominated currency of the grant agreement.
3. The Board requests the Trustee to incorporate in its data processing system for the Global Fund, the capacity to cater for grants denominated in USD as well as in Euros.
4. The Board authorizes the Secretariat to incur costs not exceeding USD 150,000, for this purpose. The Secretariat may use the contingency to cover this expenditure.
5. The Board mandates the MEFA Committee with the Secretariat to prepare the operational implications for the Ninth Board Meeting.

Budgetary implications of this decision point:

The budgetary implications of this decision point could not be prepared prior to the adoption of this decision point.

Agenda Item 15: Replenishment Mechanism

1. The Chair of the RMCC, Mr Stu Flavell, presented the Committee's proposal on the replenishment mechanism.
2. The Chair of RMCC summarized the key points of the proposal: outlining the guiding principles; time frames; agenda of the two meetings; replenishment period, terms of reference for the chair and process for nomination, and the estimated cost of undertaking the replenishment mechanism as proposed. The RMCC recommended that the Board adopt the paper describing the operational modalities to implement the process of Voluntary Replenishment submitted for consideration by the Board.
3. A number of delegates thanked the RMCC for the paper which had further clarified the replenishment process. Some delegates emphasized the need to create a predictable, stable and long term funding mechanism, whilst other delegates highlighted that the replenishment mechanism should be voluntary, respect different fiscal year processes, and not be used to put additional pressure on donors.

4. The RMCC was reminded that comprehensive documents on the impact of the diseases are produced by other agencies and this work should not be duplicated. The Chair of the RMCC clarified that substantial new work was not anticipated for the meetings. Rather, work would address the role and results of the Global Fund in responding to the three epidemics.

5. Several delegates raised a question relating to the immediate resource needs in 2005 for Round 5. The Chair of the RMCC responded that a new process such as the replenishment mechanism would take time to put in place, and this was reflected in the 'realistic' time frame outlined in the paper submitted by the Committee. It was also noted that the current methodology for resource mobilization would need to remain the modality to raise funds in 2005.

6. The Chair of the RMCC thanked Jérôme Baconin (France delegate) for his contributions to the work of the Committee in its work on this agenda item.

Decision Point: Replenishment Mechanism

1. The Board adopts the paper describing the operational modalities to implement the process of Voluntary Replenishment (as outlined in Annex 3 of the Report of the Resource Mobilization and Communication Committee (RMCC)).

Budgetary implications of this decision point:

The additional cost of implementing this decision is estimated at approximately US\$ 300,000.

Agenda Item 16: Ethics Committee Report

1. The Chair gave the floor to the Chair of the Ethics Committee, Dr Helene Rossert-Blavier, to present the Committee's report. The background, mission and procedural guidelines of the Committee were outlined, as well as the distribution of the Conflict of Interest (COI) Policy and declaration of interest form, which had been unanimously adopted at the Seventh Board Meeting. It was confirmed that the policy applied to all covered individuals, including government employees. Board members were urged to complete the form if they had not already done so.

2. It was reported that the Executive Director of the Global Fund had written to the Chair of the Committee regarding concerns raised by staff members relating to confidentiality and the perceived unnecessarily intrusive nature of the form. The Committee's response had been that as the COI policy was Board approved, staff members would have to comply and submit the form. Further, that the policy effectively addressed confidentiality systems. For the time being, however, the Committee decided that as Secretariat employees are WHO staff members and subject to that organization's own conflict of interest rules, it would not enforce the declaration of interest filing until such time as the application of the Global Fund's COI Policy to its employees has been provided in the Log of Exceptions Under the Administrative Services Agreement between the Global Fund and the WHO. The Secretariat has submitted a proposal that the matter be added to the Log of Exceptions and expects WHO's agreement in due course.

3. It was further reported that the Committee has reviewed no cases of conflict of interest or ethics since its constitution.

4. The substantive matter for consideration was the expansion of the membership of the Ethics Committee to six voting members. The Board adopted the recommendations of the Ethics Committee unanimously without further discussion.

Decision Point: Ethics Committee Report

1. The Board resolves to expand the membership of the Ethics Committee from four members to six voting members. Desiring to achieve appropriate balances between geographic representation, gender, and government and civil society participation, 3 members shall come from the voting group encompassing the donor and private sector constituencies and 3 from the recipient, NGO and Communities constituencies.

2. The Board resolves that the Ethics Committee shall also appoint one independent, non-voting expert to advise the Committee.

Agenda Item 17:Partnership Forum

1. In the absence of the Chair of the Partnership Forum Steering Committee, Dr Helene Gayle, the Chair gave the floor to Mr Todd Summers from the Private Foundations constituency to present an update to the Board on the Partnership Forum.

2. It was noted that the Partnership Forum provided and opportunity for input on the four key themes of CCMs, Global Fund Structures, Country events, and Partnership. Mr Summers advised that registrations for the Partnership Forum were anticipated to be 350-400 people, with representation being balanced between diseases and regions. It was noted that a report on the event would be presented to the Board at the Ninth Board Meeting in November.

3. On behalf of the Committee, Mr Summers particularly thanked Alfred Nimocks, seconded from Family Health International, and Kate Thomson, Civil Society Manager, both of whom would be leaving the Secretariat at the end of July. In addition the Committee thanked Christoph Benn and Dianne Stewart for their contributions to the Partnership Forum.

4. A question was raised regarding the proposed response to anticipated queries by participants at the Partnership Forum, relating to financial shortfalls in 2005. In response, it was noted that many key personnel will be attending the Partnership Forum and issues such as the Global Fund's financial perspective for 2005 would be frankly discussed at that time. It was further noted that recommendations arising from the Partnership Forum would be forwarded directly to the Chair of the Board, and it was hoped that the Board could move to immediately to address some of those recommendations.

5. One delegate raised a concern regarding their apparent lack of inclusion, as an important constituency, in the Partnership Forum Committee deliberations. Mr Summers apologized on behalf of the Committee to the delegate to the extent that such a perception had arisen, noting that any perceived lack of inclusion was unintentional and was due to difficulties in managing conference calls across disparate time zones. Further, the Committee acknowledged that it had learned a number of lessons on how to proceed with such events in the future.

Agenda Item 18:Country Coordination Mechanisms

1. The Chair of the GPC presented the Committee's paper on CCMs, noting it had been mandated by the Board at the Sixth Board Meeting to report on the extent to which CCMs are operationalizing the principles of the Global Fund. It was further noted that key findings of the GPC were based on CCM case studies, surveys and meeting reports.

2. A number of delegates thanked the GPC for its detailed work on assessing the functioning of the CCMs, and it was agreed by delegates that it was important to have an in-depth discussion on the overall content of the GPC's report before addressing individual requirements and recommendations. Frank and robust discussion ensued, during the course of which it was widely acknowledged that CCMs were important Global Fund structures, and that their strength was key in ensuring well administered and executed projects.

3. Some delegates considered the GPC report to be highly prescriptive and centralized in approach, and stressed that Governments needed to be central and important players in the CCM process. Further, that consistent with country ownership, it should be up to the country, based on local conditions, to decide the form taken by the CCM. By way of example, a delegate noted that in some countries civil society organizations are weak and national networks of people living with the diseases do not exist. Other delegates considered that, as reported to them in the field, some CCMs were government dominated and presented barriers to effective participation by business and civil society.

4. One delegate highlighted that the series of studies on CCMs (financed by France) echoed this, as did the finding that programs work best where CCMs work well, and are representative and participative. The delegate concluded that the Committee's recommendations were evidently drawn from these reports. **It was requested was these reports be placed on the website in English and French.**

5. One delegate urged that the voice of civil society be as well presented at CCM level as it is at the Board, noting that Global Fund grants were not bilateral government to government grants. The delegate added that the Global Fund's concept of partnership between public and private sectors, and not 'business as usual', was important and they recommended that it be reflected at CCM level.

6. Some delegates stressed the importance of harmonization and coordination in light of the recent formalization of the 'three ones' in Washington. These delegates stated that this was particularly important at the country level given the number of players involved.

7. Other delegates pointed to the need to find a balance between guidelines and prescriptions. It was noted that some countries are requesting greater guidance in order to run effective CCMs. Several delegates suggested that key minimum standards and principles be outlined, as opposed to specific criteria.

8. Provision of technical assistance was also raised by a number of delegates as a means of ensuring a well run CCM, although several delegates noted that technical partners like UNAIDS would be the appropriate channel for this.

9. In the context of the robust discussions before the Board on the tenor of the GPC's report and its preference for formal requirements to be adopted for CCMs, a delegate suggested that the Board should not consider making any prescriptive decision points on CCMs at this meeting. Rather, it was proposed that the findings of the GPC should be adopted as recommendations for CCMs rather than requirements. It was suggested that this course would give guidance to CCMs whilst not being prescriptive. It was also recognized that the Global Fund, as a new organization with a new way of operating,

needed to continuously review and improve processes and it was not an appropriate time for a prescriptive decision on this item to be taken. The Board's discussion on this item was then postponed to enable the Chair of the GPC to meet with GPC members to further discuss the issues and develop a recommendation to table to the Board. The meeting reconvened the next morning to further discuss this issue.

10. Further discussion related to the best mechanism to consider benchmarking the performance of CCMs and issues related to technical assistance for CCMs. Discussion focused on governance structures, committee responsibilities and the role of the TERG. The formation of an ad-hoc working group on technical assistance was considered. In this regard, several delegates noted that the work load of the GPC was an issue for concern, and that the creation of additional structures was unnecessary. However several delegates noted that whilst partners such as UNAIDS, World Bank and WHO were actively engaged in technical assistance frameworks, some outstanding policy issues remained that required Board engagement.

11. It was noted by the Board that Recommendation 10 (Option 2) within the CCM Recommendations Paper would be the only recommendation that would have budgetary implications for the Secretariat in an amount that MEFA would recommend to be set aside as a discretionary budget. After further discussions, this option was tabled with unanimous consent. One delegate also proposed certain issues and priorities be examined by the proposed ad-hoc working group on technical assistance. **The Chair of the Board suggested that the Vice Chair of the Board be appointed as chair the Working Group, and any recommendations should be submitted to her.**

Decision Points: Country Coordination Mechanisms

1. The Board adopts the requirements and recommendations as proposed in Annex 3a, and treats all requirements in this document as recommendations, in order to improve the functioning of Country Coordinating Mechanisms as public-private partnerships of all relevant stakeholders.

2. With regard to HIV/AIDS, coordination efforts should be done within the overall framework of the "Three Ones".

3. The Board decided to table Option 1 of Recommendation 9.

4. The Board decided to replace Recommendation 13 with the following:

The Board takes note of the recommendation contained in the reports of GPC, MEFA and TRP concerning the need to strengthen technical assistance and capacity development. Considering the urgency and cross-cutting nature, the Board recommends the formation of a special Ad Hoc Working Group to assess needs and make policy recommendations to facilitate the provision of technical assistance and capacity development for and through Country Coordinating Mechanisms, Principal Recipients, Sub-Recipients, inclusive of all phases of the Fund's grant cycle. The Ad Hoc Working Group will present recommendations for approval at the Ninth Board Meeting.

5. The Board decided to replace Recommendation 15a with the following:

The Board further directs the Secretariat, in consultation with the TERG, to develop a pilot set of auditable standards for benchmarking the performance of CCMs and report back through the GPC by the Ninth Board Meeting.

Agenda Item 19:Executive Session

Re-appointment of Executive Director for 2nd Term

1. The Chair confirmed that the Board had reached agreement with the Executive Director to renew his contract. On behalf of the Board, the Chair expressed his thanks for the good work of the Executive Director to date.
2. The Chair noted that the Global Fund has reached a tremendous point, having been a new corporation only three years ago. The Chair expressed his thanks to all parties that had made the work of the Global Fund as successful as it has been, even during difficult times.

France – Commemorative Stamp for the Global Fund

3. The Chair announced that the Board accepted a proposal made by the French delegation on behalf of the French Government, that on 1 July 2004, France release a postage stamp in support of the Global Fund. On behalf of the Board, the Chair expressed its thanks to France for the public display of support for the Global Fund.

Decision Points: Re-appointment of Executive Director for 2nd Term

1. The Board of the Global Fund to Fight AIDS, Tuberculosis & Malaria decided to renew Professor Richard Feachem's contract as Executive Director of the Global Fund on the same terms and for a period of two years beginning 15 July 2004.
2. The Board approved the Terms of the Executive Director as amended.

Decision Point: France – Commemorative Stamp for the Global Fund

1. At the occasion of the issue on July 1st of the first stamp dedicated to the Global Fund to Fight AIDS, Tuberculosis and Malaria by the French Post Office, the Board of the Global Fund expresses its profound gratitude to the French Post Office. The issue of this first stamp dedicated to the Global Fund will increase the awareness of the urgency of the fight against these three diseases and on the key role of the Global Fund in this fight.

[A l'occasion de l'émission de le 1er juillet 2004 du premier timbre dédié au Fonds Mondial de Lutte contre le SIDA, la Tuberculose et le Paludisme para la Poste française, le Conseil du Fonds Mondial exprime a la poste française sa profonde gratitude. L'émission de ce premier timbre dédié au Fonds mondial contribuera à accroître a prise de conscience sur l'urgence du combat a mener contre ces trois maladies et sur le rôle clé du Fonds mondial dans ce combat.]

Agenda Item 20:Additional MEFA Items
Phase 2 Funding – Treatment Focus
Approval Authority
Malaria Reprogramming
2004 Budget Transfer

1. The Chair of MEFA advised that the Committee had a number of revised decision points for consideration by the Board, which comprised essential matters for the Global Fund until the Ninth Board Meeting.

Revised Decision Point 4 – Phase 2 Funding Treatment Focus

2. It was noted that MEFA believed that having regard to each of the special considerations noted, the focus of the Global Fund should be on treatment up to the Ninth Board Meeting. The Chair of MEFA therefore tabled a revised proposal for decision point 4 in the MEFA paper. The revised proposal was adopted unanimously without discussion.

Approval Authority

3. The Chair of MEFA noted that the Committee had reflected on the views expressed by Board members at the Seventh Board Meeting and those expressed during further discussion on this item under the current agenda. The Chair of MEFA also noted that the Committee was reluctant to re-open full discussion on the Phase 2 process. Rather, it was proposed that approval authority be reconsidered by the Board, with the recommendation of MEFA being that until the matter could be again considered at the Ninth Board Meeting, an arrangement be put in place for the intervening months.

4. The Board adopted the recommendations of MEFA by unanimous vote without comment.

Malaria Grant Reprogramming

5. The Chair of MEFA noted the urgent and special situation arising with malaria grants requiring reprogramming as a result of altered TRP recommendations regarding combination therapy treatments. A delegate noted that in light of such situations, they were concerned about not relying on donated medications, which donations could be directed through other existing facilities and not through the Global Fund. The delegate proposed that any amount approved by the Board for malaria grant reprogramming should be an upper ceiling, and the Global Fund should seek to commit to a lesser amount if possible.

6. The Chair noted that the issue of whether the Global Fund can accommodate the offer for the supply of the leading malaria treatment by way of in-kind donation, may be a matter that the Board should consider revisiting at the Ninth Board Meeting. **It was proposed that prior to the Ninth Board Meeting, the Executive Director discuss with Roll Back**

Malaria how it may be possible for Global Fund grant programs to have the benefit of this offer as an interim arrangement.

7. A delegate also noted that in the context of the Board's decision to approve reprogramming up to USD 90 million, a query arose as to whether the Secretariat believed that the full USD 90 million was required to be set aside. The delegate mentioned that such a query arose by reason of the lead time required to grow sufficient herbs to manufacture the medication, and that there was only about USD 30 million worth of the product available at this point in time. The Executive Director noted that the estimate provided by the Secretariat for consideration by MEFA, and subsequently the Board, was based on the legal liability arising under revised grant agreements should all relevant grant amounts be increased to permit purchase of the more expensive malaria treatments.

8. The Board adopted the MEFA recommendations, as amended by the proposal of committing, as necessary, up to USD 90 million, unanimously.

2004 Budget Transfer

9. The Chair of MEFA indicated that following further analysis in the time available to the Committee between agenda items, the majority of the Committee was convinced that the Board could not delay consideration of an amendment to the 2004 Secretariat Budget until the Ninth Board Meeting. The Chair of MEFA also noted that the Committee shared the Executive Director's concerns in regard to personnel constraints, particularly in regard to portfolio management, and **confirmed that MEFA intended to call a special meeting of the finance sub-committee before the next scheduled MEFA Committee meeting over 7 – 8 October 2004 to discuss resource issues.**

10. A delegate noted that whilst they recognized the importance of operating a Secretariat with sufficient staff, 3 concerns arose with regard to the request by the Secretariat for increased funding. The concerns were:

- (a) procedurally, it was of concern that the request for additional funding, partially achieved through a budget transfer from unutilized LFA fees, came to the Board only days before the Board meeting at which it was to be considered;
- (b) in any event, the delegate was not convinced that an additional 29 persons were required before the Secretariat reached an appropriate resource level for current operations; and
- (c) that any substantive increase in personnel (which arose in this case), was against the principle of a small and lean Secretariat, as has historically been advocated by the Secretariat and the Board.

11. A number of other delegates agreed that it is important for the Secretariat to ensure that proper budgetary methods are utilized, so that significant and exceptional matters are brought to the Board's attention at an early and appropriate point of time.

12. Another delegate noted that based on discussions by the Board, it was expected that the 2005 draft budget to be presented to the Board at the Ninth Board Meeting should be a budget that was firm and would not be the subject of a request for amendment during the course of that year. **The delegate also proposed that the Secretariat should prioritize recruitment activities on fund portfolio management, with legal counsel and the Secretariat also looking at the potential to move personnel under the new Headquarters Agreement at an appropriate time as a means of obtaining employment efficiencies, especially in regard to salary costs.**

13. The Board adopted a decision to approve a budget transfer from the LFA budget to the Secretariat budget unanimously.

Decision Points : Revised Decision Point 4 - Treatment Focus

1. The Board recognizes the importance of sustaining ongoing treatment, as well as prevention interventions, care, and support services.
2. The Board requests the Secretariat urgently to explore internal mechanisms and to work with partners to develop options for the continuity of services through broader country partnerships associated with common national strategic framework for the three diseases. The Board requests the Secretariat to report back to MEFA and PMPC on these issues in time for the development of recommendations by the Ninth Board Meeting.
3. Up to the Ninth Board Meeting, Secretariat priority shall be given to addressing issues related to discontinuation of treatment within Global Fund grant programs.

Budgetary implications of this decision point:

The additional cost of implementing this decision is approximately US \$67,500.

Decision Points: Approval Authority

1. With regard to the legal concerns and fiduciary policy constraints raised by some Board Constituencies, the Board decides to revisit the issue of approval authority of the agreed procedure for decision making on Phase 2 renewals.
2. MEFA, in cooperation with the PMPC, is requested to explore options for incorporating in the agreed Phase 2 renewal process provision for the exercise by the Board of an appropriate decision making role that meets legal and fiduciary policy requirements of Board constituencies and make recommendations to the Ninth Board Meeting.
3. As an interim arrangement, the Board authorizes the Secretariat to extend the terms of grants up to six months for those grants where Phase 2 decision is required prior to the Ninth Board Meeting, and to provide bridge funding for such grants as appropriate based on program needs during this extension period. The Board approves an amount of up to USD 30 million to be used for this purpose.

Decision Points: Malaria Grant Reprogramming

1. The Board recognizes the urgent need to allow recipients to change to new, more expensive artemisinin-based combination therapy in line with the latest scientific evidence, following the recommendations of the malaria experts of the Technical Review Panel.
2. As an interim measure for 2004, the Board commits USD 90 million for the projected costs of reprogramming 28 programs, which would be financed by utilizing resources from the Phase 2 renewal funding of these programs.
3. The Board requests PMPC to consider the issue of reprogramming in the context of changing scientific evidence, and report back to the Ninth Board Meeting.

Decision Points: 2004 Budget transfer

1. The Board notes and shares the concerns expressed in the report of the Executive Director as to the situation with regard to Portfolio Management staffing, in view of the anticipated rapid acceleration of workload in July – December 2004 and beyond.
2. MEFA will call a special meeting of a Finance sub-group in advance of the 7 – 8 October MEFA meeting to further review and analyze the staffing situation and the budget implications for 2004 and 2005. This meeting will also review the 2005 and 2006 draft budget details to ensure that the preparation of the budget is completed in accordance with the agreed schedule and to deliver fully developed proposals to Board members by October 22, 2004
3. As an exceptional measure, the Board authorizes an increase in the 2004 Secretariat budget of up to \$2.0 million, representing + 29 positions, a maximum staffing of 118 positions. This translates into a 2005 commitment of \$ 4.8 million (annual basis).
4. This will be financed in 2004 by a \$ 1.7 million transfer from the 2004 LFA budget and the use of up to \$ 300,000 from the contingency provision, after exploring other 2004 savings options.

Agenda Item 21:Future Scenarios

1. The Chair gave the floor to the Executive Director to present a discussion paper on preliminary work that had been commenced by the Secretariat to consider the then potential business model of a mature Global Fund. The Executive Director noted that there had been an early diagnostic phase and thereafter, a number of internal discussions had been preceding but not concluded based on a series of assumptions set out in the Board paper prepared by the Secretariat.
2. The Executive Director also noted that one outcome of the Secretariat's preliminary work was that the plateau that the Global Fund reaches in terms of resource needs (based on the stated assumptions), is not as high as a number of the earlier estimates would have had the Board believe. The Executive Director proposed that the Board give targeted consideration to the operations of a mature Global Fund at the end of the Ninth Board Meeting.
3. The Chair acknowledged that discussions as to the focus of a mature Global Fund were important and should be part of the Board's focus.
4. One delegate nevertheless reminded the Secretariat that although the discussion paper on a mature Global Fund included a number of excellent ideas, the Secretariat should as a priority focus on the core financial business of the Global Fund.
5. The Board adopted a proposal for the Board to consider the business model of a mature Global Fund at a special session adjacent to the Ninth Board Meeting.

Decision Point: Future Scenarios

1. The Board agrees to have a retreat of Board Members and Alternatives to discuss the core business model of the Global Fund, to be held in Arusha, Tanzania on Saturday 20 November 2004.

Agenda Item 22: Any other Business

Three Ones Decision

1. The Board considered an appropriate means of confirming support for the 'three ones' framework in the context of the work of the Global Fund. A delegate noted that USA and EU leaders called for a commitment to the 'three ones' program at a recent meeting of world leaders in Ireland. In that context, the delegate wished to recognize the role of the EU in making that call, but also called for a commitment to other coordinating mechanisms and harmonizing efforts.

2. Another delegate proposed that the Board should focus on the process of harmonization and coordination, and that the commencement of such a discussion would be welcomed at the Ninth Board Meeting. **This proposal was supported by a number of other delegates, who indicated that they would share the discussion point with their constituencies with a view to feeding comments into discussions on greater coordination at the Ninth Board Meeting.**

Support to Constituencies

1. The Chair noted that there was a pending motion by East and Southern Africa on constituency support.

2. The delegate from East and Southern Africa noted that delegations such as theirs were constrained in their attempts to meet on key issues that impact on their constituencies by reason of resource constraints. In reply to a question seeking clarity on what resource constraint comprised the subject matter of the proposed resolution for consideration for the Board, the delegate confirmed that their request was for financial assistance from the Board.

3. Two delegations noted that the Board had previously resolved that financial assistance would not be provided by the Global Fund to constituencies, notwithstanding their desire to ensure that there was effective constituency representation at all Board meetings. The proposal for constituencies to receive financial assistance from the Board was not supported.

Decision Point :Three Ones

1. The Global Fund strongly endorses the "Three Ones Framework".

2. In this context, the Board welcomes the recent initiative led by Chair Thompson and U.S. Ambassador Tobias to call together key stakeholders – including WHO, UNAIDS, the World Bank, the Global Fund and major donors, to take forward practically the "Three Ones" agenda.

3. We commit the Global Fund, both now and in the future, to work practically and concretely with others to improve and measure coordination and make a success of harmonization as outlined in the "Three Ones Framework".

4. Specifically, the Secretariat should explore as part of the CCM indicator framework and other processes, the monitoring of the Global Fund's performance in harmonizing its own processes and procedures with other in-country national frameworks and coordination mechanisms.

Agenda Item 23:Closure

1. The Chair thanked the Board Members for their hard work and efficiency in completing the agenda. The Communities delegate thanked the Board for the opportunity to become a voting Board member.
2. The Chair asked for a motion to adjourn the meeting which was adopted.