



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Fifteenth Board Meeting
Geneva, 25 – 27 April 2007**

GF/B15/2

REPORT OF THE FOURTEENTH BOARD MEETING

Outline: This document presents the draft Report of the Fourteenth Board Meeting and includes all decisions made at that meeting. The Report of the Fourteenth Board Meeting is subject to ratification by the Board of the Global Fund at its Fifteenth Board Meeting, 25 – 27 April 2007, in Geneva, Switzerland.

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

Decision points are clearly indicated.

Decision Point:

The Board approves the Report of the Fourteenth Board Meeting.

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Agenda Item 1: Introduction and Welcome

1. The Chair of the Board, Dr Carol Jacobs, welcomed Board members in her capacity as Chair and as representative for the Latin American and Caribbean region to the Fourteenth Board Meeting in Guatemala City, Guatemala. The Chair expressed enthusiasm concerning the field visits which had been held in Jamaica, Cuba and Guatemala prior to the Board meeting.

2. The Chair explained to new participants that the Board had met in Executive Session the previous day to examine nominations for the position of Executive Director for the Global Fund, but though discussions had continued long into the evening, no decision had been reached. The Board would resume its executive session later in the day to continue deliberations in an effort to reach a consensus.

3. The Chair referred to the many important developments that had taken place during the eighteen months since she took on the role of Chair in April 2005. There had been many challenges and much that was positive. The new position of Inspector General (IG) had been created and the appointment made; a new Chief of Operations (COO) was in place and this had allowed the Deputy Executive Director (DED) to revert to her primary role after covering operations on an interim basis; the hosting of the Second Partnership Forum in Durban under the leadership of Brian Brink; the preparation of the Five-Year Evaluation under the auspices of the Technical Evaluation Review Group (TERG); more money was being raised from innovative financing initiatives such as Product^(RED) in the private sector and UNITAID, which draws on private resources within a public policy; and finally but by no means least, the Bill and Melinda Gates Foundation had contributed US\$ 500 million to the Global Fund, giving a huge boost to resources and contributing to much greater levels of predictability and sustainability.

4. All these developments meant there had been no reduction in day-to-day workload of the Secretariat and the Chair expressed her thanks to all stakeholders within the Global Fund, donors, recipients, nongovernmental organizations (NGOs) and civil society, the private sector and the Secretariat for the effort that had had been put in.

5. The Vice-Chair of the Board, Dr Lieve Franssen, extended her own welcome to all participants. She stated that she had been involved with the Global Fund since its inception, had long been committed to finding innovative ways to deal with the three diseases and wanted to thank all those who had contributed to the creation of a really innovative initiative which produced concrete results. She emphasized how important it was to preserve this spirit despite the challenges that the organization now faced and that the unique structure of the Board which represented all constituencies should be used to build consensus while avoiding division.

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

1. The Chair presented the agenda, which had been modified in order to include further Executive Sessions.

2. The Chair informed the Board that the Rapporteur for the Thirteenth Board Meeting in April 2006, Mr Carsten Staur from Point Seven, had reviewed and approved the report from the Thirteenth Board Meeting as an accurate reflection of the meeting's proceedings. She thanked Mr Staur and stated that Dr Françoise Ndayishimiye from Communities had agreed to act as Rapporteur for the Fourteenth Board Meeting.

3. The Chair asked for a correction to the Report of the Thirteenth Board Meeting concerning the report of the Chair of the Ad Hoc Committee on the Recruitment of the Executive Director. This was accepted as a friendly amendment.

Decision Point GF/B14/DP1

Françoise Ndayishimiye from the Communities (NGOs Representative of the Communities Living with the Diseases) Constituency is designated as Rapporteur for the Fourteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP3

The agenda for the Fourteenth Board Meeting (GF/B14/1, Revision 2) is approved, as amended at the Fourteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP4

The Report of the Thirteenth Board Meeting (GF/B14/2) is approved, as amended at the Fourteenth Board Meeting.

There are no material budgetary implications for this decision.

Agenda Item 3: Report of the Nominations Committee

1. The Board met in Executive Session to hear the Report of the Nominations Committee for a new Executive Director and proceeded to debate the candidates and vote to select one of the five finalists. Unable to reach the necessary vote in this session, additional Executive Sessions were convened on the Board meeting's second day. This agenda item is therefore reported on after Agenda Item 12.

Agenda Item 4: Report of the Executive Director

1. The Executive Director (ED), Professor Richard Feachem, noted that all participants received his report and he would only focus on three areas: the work of the Technical Review Panel (TRP); the progress of Product^(RED); and the Friends of the Fund (FoF). The ED stated that though the next ED had not yet been chosen, there was an excellent short-list of candidates. His own commitment to the Global Fund was total and would remain so until his last day with the organization.

2. The ED paid tribute to the outstanding work of Dr Jonathan Broomberg, as a member of the TRP since its inception, as Vice-Chair during Rounds 4 and 5 and then as Chair. The work of the TRP often went unsung but it was a vital element in the functioning of the Global Fund which constituted an invaluable network of expertise. The excellent results for Rounds 5 and 6 demonstrated the key role played by the TRP, and as this was Dr Broomberg's last meeting as Chair of the TRP, the Executive Director thanked him for all his work and welcomed Dr Peter Godfrey-Faussett as the new Chair of the TRP for Rounds 7 and 8.

3. The ED then reported on the significant progress which had been achieved by Product^(RED) since its launch in the Spring of 2006. Apart from the six core businesses engaged in (RED), (American Express, Apple, Armani, Converse, Gap and Motorola), a number of other enterprises had joined the (RED) campaign periodically. The *Independent* newspaper in the UK had gone (RED) on two occasions (and would do so again on World AIDS Day), as had one day of the tennis championships held at Wimbledon, and Italian fashion magazines *Flair* and *Lucia* would do the same in the near future. Retailers such as Converse and GAP were now selling (RED) merchandise worldwide and American Express would be extending the (RED) credit card from the UK to other markets. With the Christmas shopping season approaching, Apple would be selling (RED)-branded nano Ipods bringing in US\$ 10 for each unit sold, and Motorola had released a line of (RED) mobile phones where five percent of the monthly bill would be contributed to the Global Fund. All these initiatives meant that (RED) had got off to a very good start, that significant resources were already flowing to the Global Fund from this source and though it was difficult to estimate what the final impact would be, all the signs were that it could be very significant both in terms of funding and broader public awareness of the Global Fund's work. The Executive Director extended his thanks to Bono and Bobby Shriver for their pioneering work in this field, to all the (RED) commercial partners and the team within the Secretariat which had worked on this issue.

4. The ED concluded his presentation by thanking all the initiatives around the world which fell under the umbrella of the FoF: in North America, in Europe, in Japan and now in Africa, where the FoF was in the process of being launched. He saw possibilities for similar initiatives in Asia and Australia, and the warm welcome the Global Fund had received in Guatemala indicated that there was probably scope for the creation of a FoF organization in Latin America and the Caribbean.

5. In the subsequent discussion and question period, delegates thanked the ED for his report and a number made reference to the very good initial progress achieved by the Product (RED) campaign. A delegate pointed out the importance of receiving timely information concerning (RED) launches and marketing initiatives so that these could be supported in an appropriate manner.

6. A delegate asked for a clarification on the reasons behind differing achievement levels in the treatment of HIV, TB and malaria and whether the objective of 100 percent success rates was realistic. The delegate went on to ask how the Global Fund's performance-based funding model rewarded the most successful grants and therefore whether more could be done to help poorly-performing grants improve.

7. A number of delegates also drew attention to the importance of Health System Strengthening (HSS) and asked how to pitch this aspect of the Global Fund's work at an optimal level. A related point raised by a number of delegates was the importance of building further on good working relationships with other organizations (in particular WHO).

8. Several delegates pointed out that while innovative financing initiatives such as (RED) and UNITAID were very important, the bulk of the Global Fund's income would continue to come from traditional donor sources. Thought needed to be given to nurturing and extending official donor resources, to broadening the donor base and to putting the replenishment process onto a sound and sustainable footing. It was pointed out that donors have to strike a balance between funding treatment and developing health system infrastructure, and between funding bilateral and multilateral projects.
9. A delegate drew attention to the importance of not developing parallel structures on the issue of reproductive health where other organizations were already active, although the gender perspective was one which needed to be strengthened.
10. Concern was expressed by one delegate concerning the exclusion of Myanmar and North Korea from Global Fund programs and asked why this was the case.
11. Other comments were made in relation to the efficiency of Local Fund Agents (LFAs) and to the extent that their typical experience in terms of financial accountability was appropriate to their tasks when working for the Global Fund. Other comments welcomed the links being made between Global Fund action and the Millennium Development Goals, in relation to poverty reduction and the speed with which Global Fund grants were having an impact, particularly in Africa.
12. In response to these questions and comments, the Executive Director agreed that more needed to be done to publicize (RED) campaign events in particular countries and information should be circulated more widely. The differences in levels of achievement within Global Fund grants would be better understood following the Five-Year Evaluation which was planned to take place but it was clear that a change in architecture of treatment, such as the recent shift towards artemisinin-based combination therapy (ACTs) in the case of malaria, could have an impact, with the changeover period diminishing results temporarily. Nevertheless, 100 percent coverage should remain the overall objective.
13. On the subject of relations with other organizations - in particular WHO, UNAIDS, UNDP and UNICEF - the ED explained that relations were excellent and this was the fruit of much concrete cooperation in the past, which would be continued in the future. One of the reasons that acceptance rates were so high in the area of TB grants, for example, was the very good working partnership which had been built up with Stop TB. On HSS, he stated that he thought the Global Fund had the balance about right, that the focus should be on the three diseases and that HSS should be proximal to Global Fund programs. A key issue for the future was how the World Bank would respond to the Shakow report. On the subject of HSS, it was the World Bank which had the means and the responsibility to intervene in a concerted fashion over the long term. This was not yet, however, the case and the ED urged World Bank shareholders who were present to exercise their influence in this direction.
14. The ED agreed that traditional donors would continue to provide the lion's share of resources to the Global Fund and that this needed to be recognized whilst continuing to develop innovative financing techniques. He also agreed with the emphasis which was being put on gender, especially in the field of HIV.
15. On the question regarding Myanmar and North Korea, the ED observed that he had visited the border area between India and Myanmar and one of the things that crossed that border was HIV and so the absence of Global Fund grants in Myanmar was a problem not just for the country concerned but also for neighboring states. However, both Myanmar and North Korea were eligible to apply for Round 6 grants but did not do so. The ED hoped that the two countries would put in place the required oversight arrangements and so become a part of the Global Fund.

16. The ED agreed that more could and should be done to improve the performance of LFAs but he was not sure that there was any viable alternative to using such local experts on financial accountability.

17. Alignment and harmonization were constant elements in the Global Fund's day-to-day work, the ED observed - and there were some good examples of progress in this area. Transaction costs on recipient countries remained too high and the Global Fund was working with partners, particularly UNAIDS, to reduce these.

Agenda Item 5: Operations Update

1. The Director of Operations, Dr Nosa Orobato, delivered a report to the Board which focused on operations since April 2006. The report covered the status of the grant portfolio; due diligence on the disbursement of funds; grants that had been signed under Round 5 and the challenges that had been faced; Phase 2 renewals; grants under Round 6; LFAs; development of the Early Alert and Response System (EARS); an update on procurement and the Price Reporting Mechanism (PRM); review of Country Coordinating Mechanism (CCM) eligibility requirements; the workload on the Secretariat and ways in which the Operations Unit might be strengthened.

2. In his presentation to the Board, the Chief of Operations made five salient remarks. Whether through grant signing, disbursement of funds or Phase 2 reviews, the Secretariat had recorded important progress and made more grants work to produce more results at the country level. Compared to six months ago, more grants now operate under Board-mandated policies, and in turn, the Secretariat continues to intensify its focus on achieving better alignment with country-driven institutions and processes in the spirit of Global Fund principles. The transaction costs, as well as the opportunity costs, of aligning country-level grant operations to Board policies and country-owned institutions and systems were high for the Secretariat and PRs. Important progress continues to be made in supporting and coordinating efforts that provide concrete country technical assistance by partners at the country level. Important initiatives are well underway to further advance efficiency gains in how Secretariat Operations support country coordinating mechanisms to be more effective. These gains will advance the Secretariat's readiness to service grants in Round 6 and beyond.

3. In the subsequent comment and question period, a delegate noted the importance of supporting work for Round 6, enabling countries to more adequately prepare, on the basis of support which took into account local conditions. A clarification was also requested concerning audits which were underway and whether the results would be referred to the Policy and Strategy Committee (PSC) or to the Portfolio Committee (PC). Another delegate suggested that the methodologies of these evaluations could be harmonized to minimize administrative costs.

4. A delegate asked what progress had been made on unified payment structures and whether anticipated savings had been realized in relation to LFAs. Several delegates welcomed the progress that had been made but pointed to continuing high transaction costs, and in the context of the movement towards universal access to the treatment of AIDS that it was important to approach as far as possible the best practice guidelines on harmonization and alignment as formulated by the OECD-DAC (Development Assistance Committee).

5. A delegate pointed out that reporting systems remained cumbersome and that with the introduction of the Quality Assurance System on medicines, the Thai government would face difficulties in using Global Fund resources to purchase drugs that had not yet been pre-qualified under WHO rules.

6. It was noted by several delegates that workload pressures on the Secretariat continued to increase and that new systems of operational control often had implications for Secretariat workload. A number of delegates commented on the high quality of information received from the Secretariat and it was emphasized that resources put into the operations sector needed to provide information on how many disbursements were matching performance.

7. In response to questions and the discussion, the Director stated that the PC was looking at the issue of LFA costs and that this examination would be informed by audits which had been carried out. On EARS, it was clear that more needed to be done and that early reaction was the key to getting grants which may be slipping behind their objectives back on track. However, there was no fixed blueprint on how to make CCMs work best. Adequate staffing within the Secretariat was a key consideration but the operations platform had to be considered as a whole if results were to be optimized.

8. The Executive Director added his support to the idea that operations be viewed from an overall perspective, including not just operations but also the legal team, procurement team, civil society, web development and performance evaluation.

Agenda Item 6: Report of the Technical Review Panel

1. Dr Jonathan Broomberg, Chair of the TRP, made a presentation on the recommendations of the TRP concerning Round 6 grant applications. Providing an overview of the applications, the Chair of the TRP noted that 248 Round 6 applications had been received from 105 countries and that the TRP was recommending the acceptance of 85 applications from a total of 65 countries, including Iraq and Syria for the first time. In reviewing the make-up of the TRP, which had increased slightly in size to 29 members, the Chair of the TRP noted a better gender and regional balance had been achieved, and that there was a good mix of experience and newcomers across the panel.

2. The Chair of the TRP then went on to describe the processes followed, including the grading of applications, and the outcomes by category and by disease. Components proposed by the TRP for acceptance were also analysed by WHO Cluster and World Bank Income Classification. The Chair of the TRP provided information comparing funding across rounds, looking at the budget ceilings by disease and by region.

3. In conclusion, the Chair of the TRP identified a trend towards the systematic improvement in quality of applications for Round 6, resulting probably from the enhanced application form and guidelines, allied to the acceptance of comments made by the TRP on previous applications. Some applications however, remain consistently poor in quality, and probably required technical assistance in order to improve. Applications for support on HSS required more tightly defined criteria from the Global Fund and there was little involvement from the private sector in Round 6 applications. The TRP strongly supported the concept of regional and multi-country proposals where these were well-formulated to secure added value. In general, the Chair of the TRP noted that the quality of documentation from the Secretariat and other sources (such as the World Bank, UNAIDS and WHO) was of a very high level.

4. The new Chair for the TRP during Rounds 7 and 8 would be Peter Godfrey-Faussett (HIVAIDS expert, UK).

5. In the question session, several delegates noted the relative decline in successful applications during Round 6 for grants addressing malaria and asked what could be done in terms of providing more technical assistance to reverse this decline and to aid CCMs in the compiling of high-quality applications. One delegate suggested TRP members needed more detailed experience of the conditions in certain regions in order to reach a decision.

6. A number of delegates addressed the question of why the success rate for grant applications from Latin America and the Caribbean was dramatically lower than for other regions, especially in comparison to improved performance from the EURO and SEARO regions. It was suggested that translation problems might play a part and that civil society should be more directly implicated in the preparation of applications.

7. A question was asked by a delegate on the proportion of prevention initiatives within grants and whether this figure was stable.

8. A number of delegates made reference to the difficult issue of addressing HSS in grant applications and asked how this problem should be addressed in order to avoid both duplication of effort and the creation of vertical structures which did not fit well with the overall health system. HSS efforts should be directed towards poor and vulnerable groups. There was broad support for a forum to examine the question of HSS and it was suggested that more precise and rigorous criteria were required to guide applications.

9. The representative from the World Bank responded that the organization was articulating a health strategy in close collaboration with the IMF, and was currently consulting its 133 shareholders on the recommendations of the Shakow report on the HIV Programs of the World Bank and the Global Fund. A meeting between the President of the World Bank and the new ED of the Global Fund would be organized as soon as possible.

10. A delegate made reference to the fact that about 60 percent of applications were not recommended for acceptance by the TRP and that this was a relatively high figure which had implications for the overall size of the Global Fund. Too many applications were failing and cutting out people from vital treatment facilities, particularly in the fields of malaria and HIV.

11. Reference was made by a delegate to a meeting held prior to the Board which had adopted a series of recommendations, which would be forwarded to the Secretariat, on improving the quality of regional and multi-country applications.

12. On the question of gender balance, several delegates suggested that the feminization of the diseases was an important issue to take into account and suggested that the TRP could be more gender balanced in its own make-up.

13. In responding to these questions and comments, the Chair of the TRP stated that where there had been difficulties created by the quality of translations, the TRP had systematically gone back to ask the opinion of a native language speaker on the panel. The Chair of the TRP strongly disagreed with the idea that TRP members needed local experience to judge applications. In fact TRP members were excluded from the decision on applications from their own region to avoid any possibility of bias filtering through into the recommendations of the TRP. On the question of prevention, the Chair of the TRP did not have figures to hand but most HIV and malaria applications combined both prevention and treatment elements and as prevention was relatively cheaper than treatment, care had to be taken when drawing conclusions from budgetary data.

14. On the issue of regional and multi-country applications, the Chair of the TRP stated that the crucial element in reaching a decision was whether the approach brought added value or not. He noted that in general, the quality of applications was improving and that the best way to ensure that success followed failure was to apply thoroughly the recommendations made by the TRP in the case of previous, unsuccessful applications. In the case of malaria, it was clear that technical issues caused more applications to fail than, for example, was the case with TB applications and that perhaps the malaria technical assistance community could learn from the TB community. Concerning the role of civil society organizations within the TRP, there were already a number of experienced civil society TRP members, but this could always be usefully augmented in future, as could the gender balance of the TRP.

15. In relation to the difficulty of ensuring HSS elements were appropriate and did not duplicate existing structures, the Chair of the TRP noted that there was a question on the grant application form asking how HSS would have a positive systemic effect. Finally, the relative decline in very large and ambitious projects was probably a good thing, as it probably provided evidence of greater realism and therefore enhanced chances of successful implementation.

16. The ED provided supplementary information by noting that on HSS, what the Global Fund was looking for from the World Bank was that it develop a clear, comprehensive commitment to HSS as the primary focus of World Bank action in the health sector. He added his voice to that of the Chair of the TRP in advising the malaria technical assistance community, and in particular Roll Back Malaria, to look at what they could learn from the Stop TB campaign. On the issue of multi-country and regional applications, it was clear that two regions were particularly in need of taking such an approach, due to their geography, and these were the island micro-states of the Pacific and the Caribbean.

17. On the issue of the relatively high failure rate of applications, the Director of Operations informed the Board that two meetings had been scheduled to look at this issue; one had already taken place. Also he noted that it was inappropriate for the Secretariat to provide technical assistance during the preparation phase for applications but that this was a very fine line and it was suggested that perhaps some guidelines could be drawn up for future rounds, such as limiting the number of exchanges between the Secretariat and a CCM, for example.

Decision Point GF/B14/DP7

The Board commends the Technical Review Panel for its report and presentation on the Round 6 proposal evaluation process, and its dedicated efforts to ensure that the Global Fund finances only technically sound proposals.

The Board gives special recognition to the outgoing chair of the Technical Review Panel, Dr Jonathan Broomberg, for his leadership, dedication and commitment to the principles of the Global Fund and the work of the Technical Review Panel.

There are no material budgetary implications for this decision.

Agenda Item 7: Funds Available for Round 6

1. The Chief Financial Officer (CFO), Barry Greene, introduced a presentation on the funds available for Round 6. Taking a conservative estimate, which did not include possible funding from UNITAID and the proposed move to month 24 for Phase 2 approvals, US\$ 807 million was available for new rounds. In light of the Comprehensive Funding Policy, if a new round was decided in November 2006, US\$ 698 million would be available. This would cover all grants falling into Categories 1 and 2 as well as those in Category 2B, Composite Index 6.

2. The Vice-Chair asked if there were any new pledges to help fill the funding gap.

3. The delegate from Point Seven announced an increase in the commitment of the Netherlands from €30 million to €60 million and encouraged other donors to do the same if the commitment to universal access was to be reached by 2010. The delegate from the Eastern Europe constituency representing Russia announced that US\$ 270 million of Global Fund grants would be reimbursed in the form of a contribution. The delegate representing the France/Spain constituency stated that following the tripling of its commitment in 2006, Spain would reach the US\$ 100 million level in 2007.

Agenda Item 8: Round 6 Funding Decisions

1. The CFO concluded the decision point by observing that the inclusion of pledges just announced brought total funds available to US\$ 719 million, which was not quite enough to extend funding to Category 2B, Composite Index 5.

Decision Point GF/B14/DP5

The Board approves for funding for an initial two years, subject to paragraphs 3 and 4 below, the Round 6 proposals recommended for funding by the Technical Review Panel (TRP) and

- a. listed in Annex 2, Rev. 2 to the Report of the TRP and Secretariat on Round 6 Proposals (GF/B14/10, Rev.1) as “Category 1” and “Category 2”, and*
- b. listed in Annex 6¹ to GF/B14/10 as “Category 2B” with Composite Indices 8 and 6,*

with the clear understanding that the grant amounts requested in such Annex for “Two Years” are upper ceilings subject to TRP clarifications and grant negotiations rather than final approved grant amounts.

The remaining Round 6 proposals recommended for funding by the TRP as “Category 2B” and listed in Annex 6 to GF/B14/10, will be approved, subject to paragraph 4 below, through Board confirmation by email (or, if appropriate, at a Board meeting), as funds become available under the terms of the Comprehensive Funding Policy (GF/B7/2, p. 6), as amended at the Thirteenth Board meeting (GF/B14/2, p. 25-26) based on the composite ranking of such proposals in compliance with Board’s decision entitled “Prioritization in Resource-Constrained Environments” (GF/B8/2, p. 13), but not later than 31 July 2007. In the interim, the Board requests the Secretariat to proceed with the TRP clarifications with respect to those proposals.

The applicants whose proposals are recommended for funding as “Category 1” shall conclude the TRP clarifications process, as indicated by the written approval of the Chair and/or Vice-Chair of the TRP, not later than four weeks after notification in writing by the Secretariat to the applicant of the Board’s decision.

The applicants whose proposals are recommended for funding as “Category 2” and “Category 2B” shall:

- a. provide an initial detailed written response to the requested TRP clarifications and adjustments by not later than six weeks after notification in writing by the Secretariat to the applicant of the Board’s decision; and*

¹ Presented at the Fourteenth Board Meeting.

b. *conclude the TRP clarifications process, as indicated by the written approval of the Chair and Vice-Chair of the TRP, not later than four months from the Secretariat's receipt of the applicant's initial detailed response to the issues raised for clarification and/or adjustment.*

The Board declines to approve for funding those proposals categorized by the TRP as "Category 3" as indicated in Annex 2 to GF/B14/10, although such applicants are encouraged to resubmit a proposal in a future funding round after major revision of such proposal.

The Board declines to approve for funding those proposals categorized by the TRP as "Category 4" as indicated in Annex 2 to GF/B14/10.

There are no material budgetary implications for this decision.

Agenda Item 9: Report of the Policy and Strategy Committee

1. The Chair asked Dr William Steiger, the Chair of the PSC, to present his report.
2. The Chair of the PSC stated that his presentation would cover four broad issues: the development of strategy; an update from the TERG; an update on UNITAID; and the report of the Partnership Forum Steering Committee.
3. In terms of the timeline on strategy development, the Chair of the PSC explained that the committee was currently in the phase of options development, and at this Board meeting decisions were scheduled to be made on Beyond Phase 2, alignment and harmonization (excluding programmatic funding), market dynamics (objective and guiding principles), impact/accountability, Global Fund size and grant performance.
4. The Beyond Phase 2 heading comprised three main issues: the establishment of a Rolling Continuation Channel (RCC); technical reviews for the Rolling Continuation Channel; and Continuity of Services Policy. The alignment and harmonization heading comprised the establishment of fixed dates for rounds; the dates for launch and approval of Rounds 7 and 8; and the Grant Consolidation Pilot Project. In terms of market dynamics, the Global Fund was already having an impact which needed to be better understood. The issue of impact and accountability would be addressed through the application of performance indicators for the Global Fund. On the question of what should be the target size of the Global Fund, the Resource Mobilization Task Team (RMTT) would have an input to PSC reflection on this point.
5. In the following discussion on the RCC, a delegate asked for a clarification on the application procedure for funding. It was pointed out that the Global Fund was only one source of funding, being part of the broader funding architecture and that harmonization was easier where there were clear national plans, which was normally the case for AIDS but not always so for the other two diseases. A delegate suggested that it would be important to anticipate at as early a stage as possible the ending of grants and to put in place an appropriate response.
6. A delegate asked about the proposed ceiling for RCC applications and the Chair of the PSC explained that it would not take the form of a quota but was an aspiration based on an analysis by the Secretariat of current grant performance. A clarification was suggested concerning Board approval for the second three-year phase of a RCC. The decision point was adopted with the accepted amendments.

7. The Chair of the PSC explained that requests for RCC funding would be subject to technical review and that it would be necessary to expand the current terms of reference of the TRP to take this into account.
8. The Continuity of Services Policy relating to Extraordinary Requests for Continued Funding was adjusted to take into account both the level of income of the country concerned and the size of the program.
9. On the issue of fixed dates for Rounds, the Chair of the PSC observed that the lack of advance notice had complicated the process of making high-quality applications. The proposal was for at least one round per year to be launched in March and that the Board would specifically announce the next two rounds.
10. In discussion, a question was asked concerning whether a round would still be launched even if funding was limited. In response, the Chair of the PSC suggested that a commitment to the next two funding rounds would act as leverage for funding requests. A delegate mentioned that the issue of optimizing grant performance should be considered through earlier TRP clarifications and asked whether smaller and more regular rounds might be feasible.
11. Dates for the launch of Rounds 7 and 8 were announced and approved. Following the strategic decision to fix rounds, it was suggested that the Board should fix dates for the Round 9 Call for Proposals at the Sixteenth Board Meeting and that a review of procedures should be carried out for the last Board meeting of 2008.
12. On the issue of the grant consolidation pilot project, work would continue during 2007 to assess the added value and feasibility of grant consolidation. It was agreed not to specify the number of countries in the pilot project, though it was important to get a report back on the full range of issues, both from a policy and from an operational perspective.
13. The question of programmatic funding was raised and would be discussed in more detail at the March 2007 meeting of the Board. There was broad support for more flexible funding models and a delegate emphasized that it was important for the Global Fund to be aware of the full range of issues and to intervene as the special instrument it was intended to be.
14. Concerning the manner in which the Global Fund could influence market dynamics, it was pointed out by the Chair of the PSC that recipients buy large quantities of products and the question was whether the Global Fund was getting the best possible prices for these products. The decision point proposing that the Global Fund take a greater role in market dynamics and strategic principles had been drafted to guide this approach.
15. On the subject of performance indicators for the Global Fund, a delegate raised the issue of additional horizontal indicators with partners in-country. The Chair of the PSC stated that the question dealt with operational rather than strategic concerns but would be examined by the committee under the heading of alignment and harmonization.
16. In discussion on this issue, several delegates expressed broad support for the overall approach on market dynamics and pointed out that the Global Fund should retain its focus as a financial instrument and not get into the area of pharmaceutical procurement. The key was to improve the impact of grants through influencing market dynamics. The price reporting mechanism was in place and functioning, giving price information which was reported on the Global Fund website. A delegate pointed out that it was difficult to have a real influence on market dynamics unless the whole supply chain was taken into account and this involved looking at country-level arrangements.

17. The ultimate size of the Global Fund was one of the major strategic questions facing the organization. In the decision point before the Board, the Chair of the PSC explained that there were two broad options: to aim for US\$ 4 billion to US\$ 6 billion in resources by 2010 or to aim for US\$ 8 billion to US\$ 10 billion. The PSC was requesting that the proposed RMTT report back by mid-February 2007 so that a decision could be taken at the Fifteenth Board Meeting.

18. A delegate asked whether it would be possible to consider not just the financial trajectory of the Global Fund but to broaden the perspective to also consider associated inputs on the side of partners and the Secretariat.

19. The Chair thanked the Chair of the PSC and the Secretariat team that had worked with the PSC, stating that a spirit of compromise would be needed to obtain the objectives of the strategy that had just been outlined.

20. Professor Rolf Korte, Chair of the TERG and Dr Stefano Bertozzi, member of the TERG, gave an update on the work of the TERG, which focused in particular on the proposed Five-Year Evaluation, which would address three overarching questions: the organizational efficiency of the Global Fund; the effectiveness of the Global Fund partner environment and the effect on systems; and the impact of the Global Fund on the three diseases. Items referred to in the presentation by the Chair of the TERG covered the question of guiding principles; the focus on three study areas, institutional arrangements, grant performance and impact measurement; the delivery of three core products; the proposed study management structure and budget; country selection criteria and the longer-term benefits of the evaluation. A total of twenty countries would be covered by the evaluation, eight undergoing comprehensive analysis and a further twelve subject to secondary analysis. The study would have a budgetary impact over 2007 and 2008 with a total cost of US\$ 17.1 million.

21. In discussion, there was very broad support for the initiative, as something that had not been done before on such a scale and suggesting that the results would provide a powerful advocacy tool. Delegates referred to the importance of including civil society and communities of people living with the diseases in the evaluation, and to making use of donor resources as inputs where possible. It was pointed out that good baseline data would be crucial to drawing any conclusions on impact and that the five year period may even be too short as a baseline to signal real change. Delegates referred to the value of using in-country resources for research, the importance of taking into account local conditions and cultural factors and that the evaluation should keep a constant eye on the question of gender. It was noted by a series of delegates that although there would be some indirect costs associated with the Five-Year Evaluation, there would also be benefits to countries in terms of capacity building. A number of delegates spoke of the public relations value to be gained from the evaluation but caution was needed when justifying such a large expenditure.

22. It was noted too that the capacity of health systems to absorb funding was crucial to the sustainability of the Global Fund and that this should become apparent from the results of the Five-Year Evaluation. A delegate made the connection between the evidence of impact on the three diseases and the willingness of donors to keep up or even increase levels of funding. The Five-Year Evaluation should provide evidence of how the money was working. Any opportunities should be taken in order to offset the costs of the evaluation by incorporating existing, locally available studies.

23. The Vice-Chair then introduced the innovative financing initiative which had which had been launched under the name of UNITAID. The program was a financing initiative like the Global Fund, but based on a levy on airline tickets. UNITAID would be making a payment to the Global Fund of US\$ 52.5 million to help cover the funding shortfall for Round 6 for specific medications, particularly pediatric medicines and second-line ARVs.

24. In discussion, there was widespread support for the UNITAID initiative, which could fill important gaps, particularly for expensive medications. Alignment and harmonization would be needed to reduce duplication, but it was clear that UNITAID contributions would be additional to national donor commitments.
25. Discussion on the UNITAID contribution also centered on the need to establish a way forward for future contributions.
26. The Board, in accepting the UNITAID contribution, accepted the allocation of funds as shown in the decision points below.
27. The Chair of the PSC then turned to the question of targeted contributions, where a coherent policy needed to be developed alongside that on in-kind donations. The Secretariat, under the direction of the PSC, would develop a roadmap for cooperation with UNITAID. It was noted that disbursement requests for funding from UNITAID would be processed by UNICEF. A memorandum of understanding would be drawn up to detail working relations between the Global Fund and UNICEF.
28. A decision point on mandating the Green Light Committee as procurement agent was then discussed and adopted.
29. The Chair asked the Chair of the Partnership Forum Coordinating Committee and delegate from the Private Sector Delegation, Dr Brian Brink to report on the Partnership Forum held in Durban, South Africa during July 2006.
30. A short video made during the Durban meeting were introduced by the Chair of the Partnership Forum Steering Committee, followed by a presentation on the lessons learned from the event. Issues covered by the presentation included reflection on the organization and financing of the opening ceremony; praise for the efficiency and results garnered from the eForum; the importance of continuing the broad scope of partnership forum participation to involve stakeholders not normally directly involved in the Global Fund policy-making process; the importance of planning the event well ahead of time and improving the preparation of facilitators; and seeking to ensure a balance in participation from a regional and disease perspective.
31. An independent evaluation of the Partnership Forum had been carried out by Dr Kate Taylor which had provided a wealth of information based on a survey and interviews of participants. The main decision before the Board was whether to continue the Partnership Forum in its present incarnation as part of the governance structure of the Global Fund. If not, what alternative approaches should be considered? The independent evaluation reported broadly positive impressions from participants and alternative models, such as reliance on a pure e-Forum only, or regional fora feeding into a global event were ruled out. However, there was perhaps scope for aligning the Partnership Forum to coincide with other major international meetings where Global Fund participants might be present.
32. The Chair of the Partnership Forum concluded his presentation by recommending that the Board hold a third partnership forum in 2008, similar in format and duration to previous events, aiming for the same level of participation. The mandate to hold the Partnership Forum should come from the present Board meeting, therefore allowing sufficient time for preparations, should be properly resourced, and should repeat the e-Forum but with more focus on operational rather than strategic issues.
33. In discussion, a delegate supported the idea of aligning the next Partnership Forum with a major international meeting and suggested the AIDS conference scheduled for 2008 might provide an appropriate vehicle.

Decision Point GF/B14/DP9

The Board approves the establishment of a funding channel (“Rolling Continuation Channel”) that provides an opportunity for Country Coordinating Mechanisms (“CCMs”)¹ to apply for continued funding for grants that are reaching the end of their funding terms (“expiring grants”) under conditions different from those available for proposals submitted as part of new rounds of financing (“rounds-based channel”).

The Rolling Continuation Channel shall operate according to the following principles:

A. The Secretariat shall conduct a review of all grants before the end of their Phase 2 (the “determination of qualification”) to determine whether they qualify to apply for continuation of funding through the Rolling Continuation Channel. The Secretariat’s determination of qualification shall be final and not subject to appeal.

B. The Secretariat shall establish a standing cross-functional panel (the “qualification panel”) to conduct the determination of qualification of grants. This panel will conduct its work several times each year, scheduling determinations of qualification so that grants that do not qualify for the Rolling Continuation Channel have sufficient time to apply through the rounds-based channel.

C. The qualification panel shall base its determination of qualification on the following factors:

a. The primary factors shall be the following:

i. Strong performance, as determined by the Secretariat having assigned to the grant a performance rating of “A” in more than half of its reviews of the grant’s progress updates over the 18 months immediately preceding the determination of qualification; and

ii. Evidence of potential for impact by, for example, demonstration of the grant contributing to a national effort that has had, or has the potential to have in the near future, a measurable impact on the burden of the relevant disease.

b. In addition, in making a final determination, the qualification panel shall consider the following factors:

i. Sustainability, as determined by the extent to which the grant contributes to a national plan which is inclusive of civil society and the private sector and transparently shows the financial contributions made to the plan by major funding sources, including domestic sources; and

ii. Whether, in exceptional cases, severe and unexpected changes in circumstances have had a material negative impact on program implementation.

D. On the basis of the above factors, the Board expects (based on information provided by the Secretariat) that between a quarter and a third of the grants that expire in a given year would qualify to apply through the Rolling Continuation Channel. The Secretariat will monitor the share of grants that qualify for the Rolling Continuation Channel and report this information to the Board as part of its annual reporting process.

E. Upon completion of each determination of qualification, the qualification panel shall provide feedback to the CCM on the grant's overall performance in a standardized format, and highlight any implementation challenges or sustainability issues that the CCM might address in a subsequent grant proposal. It shall also provide this standardized feedback to the Chair and the Vice-Chair of the Technical Review Panel under revised terms of reference and membership² (henceforth referred to as "the TRP") to inform consideration by the TRP of a subsequent proposal by that CCM.

F. The determination of qualification shall rely, as much as possible, on existing processes and information, so as to minimize additional work and transaction costs.

G. CCMs that qualify to submit a proposal for continuation of funding through the Rolling Continuation Channel may apply either through the Rolling Continuation Channel or the rounds-based channel, but the CCM may not submit proposals covering the same activities through both channels.

H. The process for grant proposals submitted through the Rolling Continuation Channel shall include proposal submission, independent technical review, funding recommendation and if relevant, Board approval, all of which shall occur on a rolling basis.³ The proposal submission and review process shall be as light as possible, without sacrificing technical rigor.

I. The Secretariat shall modify the proposal requirements and review criteria for the Rolling Continuation Channel as appropriate compared to those for the rounds-based channel. As is the case for proposals for the rounds-based channel, they shall reflect considerations of sustainability and alignment with national strategies and plans.

J. CCMs may submit rolling continuation proposals that allow for the continuation of the broader package of interventions to which the expiring grant was contributing. The TRP shall determine whether a proposal's scope demonstrates a material difference, as defined by the Secretariat,⁴ compared to the scope of the grant it seeks to continue. A proposal that the TRP deems materially different from the original one shall not be allowable under the Rolling Continuation Channel.

K. The Secretariat shall propose principles-based guidance in the proposal form or guidelines on the extent to which CCMs may increase the scale of the activities financed by expiring grants in rolling continuation proposals.⁵

L. All rolling continuation proposals shall undergo a level of independent technical review as rigorous as that for the rounds-based channel. This review shall be performed by the TRP.

M. The Secretariat shall present to the Board the TRP's funding recommendations not more often than once every three months, unless it is necessary, because of exceptional circumstances, to present a recommendation to the Board more frequently.

N. The TRP shall have the authority to recommend that the Board make its approval of a rolling continuation proposal conditional upon the CCM removing a limited set of specific elements from the proposal.

O. There shall be an appeals process for unsuccessful rolling continuation proposals. The primary grounds for appeal shall be a significant and obvious error made by the TRP regarding information contained in the proposal.⁶

P. CCMs may submit proposals under the Rolling Continuation Channel covering a maximum term of six years, in two phases of three years each, with funding for the second phase subject to the approval of the Board based on a mid-point performance review. The Board shall approve rolling continuation of funding proposals for the entire term of the proposal, with a financial commitment for the initial three years. Grants funded under the Rolling Continuation Channel shall undergo assessments at each disbursement similar to those done for grants funded through the rounds-based channel.

Q. The Global Fund shall prioritize funding for proposals submitted through the Rolling Continuation Channel below the funding of Phase 2 renewals of proposals submitted through the rounds-based channel and funding of Extraordinary Requests for Continued Funding of Treatment under the Continuity of Services Policy, but above the funding of proposals submitted through the rounds-based channel. The Secretariat, in consultation with the Finance and Audit Committee, shall communicate to the Board at the end of a given financial year a projection of the financial resources potentially available for these funding channels for the subsequent year, specifically noting confirmed pledges.

The Board delegates authority to the Portfolio Committee to apply the principles set out in this decision point and (i) approve the proposal form and guidelines for the rolling continuation channel, and (ii) approve the appropriate policy guidance in relation to the appropriate appeals process for unsuccessful rolling continuation proposals, and requests it to do so by end of March 2007.

The Board requests the Policy and Strategy Committee to present for approval at the Fifteenth Board Meeting the appropriate procedure for the Board to make funding decisions on proposals for rolling continuation funding recommended by the TRP in accordance with the principles set out in this decision point.

The Board requests the Finance and Audit Committee to present for approval at the Fifteenth Board Meeting appropriate amendments that arise from this decision to each of the following:

(i) the Comprehensive Funding Policy approved at the Sixth Board Meeting (and amended at the Thirteenth Board Meeting); and (ii) the decision on prioritization of Phase 2 funding approved at the Eighth Board Meeting (GF/B9/2, p. 9).

The budgetary implications of this decision in 2007 are estimated to be US\$ 268,500.

¹ All references in this decision point to a CCM includes, in addition to a Country Coordinating Mechanism, a Sub-National CCM, Regional Coordinating Mechanism and, in the case of a non-CCM proposal, a grant applicant.

2 See decision point “Technical Reviews for the Rolling Continuation Channel”, GF/B14/DP10, paragraph 1, which provides for the TRP convening on an ad-hoc basis groups with the appropriate number and composition of experts for the purpose of reviewing and making recommendations on rolling continuation proposals.

3 In practice a “rolling basis” is likely to mean a quarterly frequency, though it is possible that for pragmatic and operational reasons some of the steps mentioned above (such as proposal submission and technical review) might occur more frequently. (However Board approval, per Paragraph 13, will normally happen quarterly at most).

4 This definition shall be consistent with that used to trigger “material reprogramming” during Phases 1 and 2 of funding, while recognizing that a broader definition of “material change” is necessary for rolling continuation proposals given the time elapsed since the CCM developed, the TRP reviewed, and the Board approved the original proposal. For example, where an expiring grant has focused only on HIV/AIDS treatment, the CCM cannot propose a complete shift to HIV prevention activities in its proposal for rolling continuation funding. However, in cases where an expiring grant has both prevention and treatment objectives, the CCM may propose a change in the relative weighting of those objectives in its rolling continuation proposal. The Secretariat will refine this definition in collaboration with the TRP.

5 The Secretariat will base this guidance on the principle that increases in scale should be in line with demonstrated implementation capacity in Phases 1 and 2 of the grant the proposal seeks to continue. Relevant findings of the TRP’s Report to the Board on Round 6 will inform the guidance.

6 This is currently the main technical criterion for appeals for rounds-based proposals, as described in the “Rules Governing Internal Appeal Mechanism.” See Report of the Fourth Board Meeting (GF/B5/2).

Decision Point GF/B14/DP10

The Board refers to its approval of the establishment of a funding channel (“Rolling Continuation Channel”) that provides an opportunity for Country Coordinating Mechanisms (CCMs) to apply for continued funding for grants reaching the end of their funding terms under conditions different from those available for proposals submitted as part of new rounds of financing (“rounds-based channel”).

The Board considers that, in order to conduct technical reviews of proposals submitted under the Rolling Continuation Channel, it will be necessary to build additional flexibility into the staffing and procedures of the Technical Review Panel (“TRP”). For that purpose:

1. The Board requests the Portfolio Committee to propose amendments of the Terms of Reference of the TRP for approval at the Fifteenth Board Meeting. Such amendments shall reflect the following principles:
 - a. No change shall be made to the current procedures and membership principles of the TRP for the purpose of review of proposals received through the rounds-based channel.
 - b. The Chair and Vice-Chair of the TRP shall, acting together, have the authority to convene ad hoc groups for the purpose of reviewing and making recommendations on proposals received through the rolling continuation channel.
 - c. Such ad hoc groups may include TRP members, alternate members, members of the TRP support group, and former members of the TRP. The Chair and Vice-Chair of the TRP, acting together, shall determine the appropriate number and composition of reviewers in each group, based on their fields of expertise and the content of the proposals.

2. The Board requests the TRP Chair and Vice-Chair to review Rolling Continuation Channel proposals based on the principles set forth in this decision point and decision point "Establishment of a Rolling Continuation Channel" (GF/B14/DP9) if any such proposals are received before the Board has amended the terms of reference of the TRP.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP11

The Board recognizes that, in exceptional circumstances, there may be a need to provide funding for the continuation of treatment in grants where funding ends.

The Board wishes to revise its policy on continuity of services for treatment (as amended at the Twelfth and Thirteenth Board Meetings) to reflect the differing circumstances of grants that end because of suspension, force majeure situations, a decision not to provide Phase 2 funding, or other unforeseen causes ("unanticipated terminations") and grants which reach the end of their term ("anticipated expirations").

The Board accordingly revokes the Continuity of Services decision, as amended at the Thirteenth Board Meeting (GF/B14/2) and replaces it with this decision:

The Board adopts the following system for addressing continuity of services following both unanticipated termination and anticipated expiration of grants:

- i. A recipient (typically a CCM) whose funding has ended may submit an Extraordinary Request for Continued Funding for Treatment.
- ii. The Extraordinary Request will be limited to expenses directly related to the continuation of courses of treatment (including medicines [which, in the case of discontinuation of antiretroviral therapy, includes drugs for HIV-related opportunistic infections], diagnostics, and, as appropriate, costs for medical staff and other personnel directly involved in care of the patients on treatment) for those people already placed on courses of treatment under the existing proposal at the time of the Extraordinary Request. "Courses of treatment" includes treatment that is for a limited duration (such as for tuberculosis), or is lifelong (such as for antiretroviral therapy).
- iii. The Extraordinary Request will be limited to the amount required to provide services directly related to the continuation of courses of treatment for up to two years (taking into account any amount which remains available under the existing grant).

iv. *The Extraordinary Request shall contain a description of the steps taken to find sustainable sources of financing for the people on courses of treatment, and to ensure the recipients are delivering courses of treatment effectively. To be eligible for funding under this provision, the CCM (or, in the case of non-CCM proposals, the grant applicant) must demonstrate that it has used its best efforts to identify other sources of funding to provide continuity of services, but has been unsuccessful.*

v. *The Secretariat will review the Extraordinary Request, and provide a funding recommendation to the Board for its approval. The Secretariat will take into account performance issues, as appropriate, and shall make any adjustments to existing implementation arrangements necessary to ensure the effective use of Global Fund financing.*

vi. *Throughout the process, the Secretariat will encourage CCMs and PRs to actively engage with technical partners to identify mechanisms to ensure continuity of services.*

vii. *In a resource-constrained environment, the Global Fund shall prioritize Extraordinary Requests for Continued Funding for Treatment for anticipated expiration and Extraordinary Requests for Continued Funding for Treatment for unanticipated termination at the same level as Phase 2 renewals.*

The following additional conditions shall apply in cases of anticipated expiration:

viii. *CCMs that submit an Extraordinary Request must provide evidence of compliance with Global Fund counterpart financing requirements during the period for which they make the request.*

ix. *In addition to the merit of the request, the primary factor affecting the Secretariat's recommendation to the Board with respect to the amount and duration of funding for the continuity of treatment shall be the income level of the country of the applicant (as defined by the World Bank income classification of the applicant in the year of application of an Extraordinary Request); the Secretariat may also take into account other relevant considerations such as the size of the treatment program (in terms of cost or number of patients).*

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP12

The Board notes that the Policy and Strategy Committee discussed (a) establishing fixed dates for the launch and approval of rounds to make progress towards greater alignment of Global Fund processes with country cycles and greater harmonization with partners' actions; and (b) ideas to develop a more flexible system whereby funding by the Global Fund of some grants or proposals might move away from rounds-based timing.

For those proposals that remain on a rounds-based system, the Board endorses the recommendation of the Policy and Strategy Committee that the Board establish and announce to the public, with significant advance notice, a fixed set of dates for future rounds of funding.

The Board decides the following:

A. The Secretariat shall issue a minimum of one Call for Proposals in each calendar year, which it shall issue at approximately the same date(s) each year;

B. The Global Fund Board shall, with significant advance notice, announce the dates for the next two Calls for Proposals and the dates when the Board foresees it will approve proposals;

C. The Secretariat shall issue Calls for Proposals at least four months earlier than the due date for such proposals;

D. The Global Fund Board shall continue to make all decisions regarding the funding of proposals through a round at Board meetings; and

E. In accordance with the Comprehensive Funding Policy, the Secretariat will announce a forecast of the resources available for the round at the time it issues each Call for Proposals.

The Board requests that at the appropriate times the Secretariat propose the appropriate dates for the next Call for Proposals and for Board approval of such proposals. These dates should take into account the schedules of recipients, partners, donors and the Secretariat.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP13

The Board requests the Secretariat to make the necessary preparations and announce to the public as soon as possible that:

- a. The Secretariat will issue a Call for Proposals for Round 7 by 1 March 2007, and provide for review of those proposals in time for approval at the Sixteenth Board meeting; and
- b. The Secretariat will issue a Call for Proposals for Round 8 by 1 March 2008, and provide for review of those proposals in time for approval at the last Board Meeting of 2008.

The Board requests the Secretariat to propose at the Sixteenth Board Meeting the appropriate dates for Round 9.

The budgetary implications of this decision in 2007 are estimated to be US\$ 2,825,000, comprised of US\$ 1,175,000 for Local Fund Agent fees and US\$ 1,650,000 for Technical Review Panel and Secretariat expenses.

Decision Point GF/B14/DP14

The Board refers to its earlier decision on grant consolidation, taken at its Thirteenth Board Meeting. To obtain useful experience that could inform the development of policies for grant consolidation, the Board authorizes the Secretariat to modify the application of existing policies to the extent necessary to consolidate grants on a pilot basis (the "Pilot Grants") in multiple countries, which the Secretariat shall select with the consent of the relevant Principal Recipients (PRs) and Country Coordinating Mechanisms (CCMs) and in consultation with other country stakeholders.

The purpose of grant consolidation includes streamlining grant management for PRs and the Secretariat, as well as enabling increased alignment with national plans, strategies and systems. The specific objectives of the grant consolidation pilot project are as follows:

- a. to assess the added value and feasibility of grant consolidation for the Global Fund and for PRs;
- b. to identify specific policy and architectural changes that will be required to enable grant consolidation across the Global Fund portfolio (as appropriate) and to inform the development, for the Board's consideration, of strategy and policy recommendations to this end; and
- c. to draw operational, policy and architectural lessons from the pilot exercises that could facilitate a broader roll-out of grant consolidation across the Global Fund portfolio and in particular, to identify the criteria for and situations that favor grant consolidation.

Specifically, the Board authorizes the Secretariat, solely in respect to the Pilot Grants, to modify the application of existing policies and procedures so as to achieve objectives that include, but are not limited to the following:

- a. The consolidation of grants to the same PR into a single grant agreement for the consolidated grant, with aggregated performance targets;
- b. The rescheduling of Phase 2 decision dates with respect to the individual grants that are merged into the consolidated grant so as to achieve a single Phase 2 decision date for the entire consolidated grant; and
- c. The rescheduling of Phase 1 and Phase 2 end dates with respect to the individual grants that are merged into the consolidated grant so as to achieve single Phase 1 and Phase 2 end dates that apply to the entire consolidated grant.

Any modifications of the application of existing policies and procedures made in connection with Pilot Grants shall be consistent with the Framework Document of the Global Fund.

The Board requests the Portfolio Committee to oversee the Pilot Grants and report on the lessons learned that can inform the development of policies for grant consolidation, and update the Board on progress as appropriate.

This decision point will expire upon the completion of the terms of the grant agreements of the Pilot Grants.

The budgetary implications in 2007 of this decision are estimated to be US\$ 1,147,630 to fund (internal and/or external) staff support for the pilots and other costs, such as travel, additional Local Fund Agent (LFA) assessments and PR consulting support.

Decision Point GF/BM14/DP15

The Board endorses the recommendation of the Policy and Strategy Committee, as part of the strategic issue of "Market Dynamics," that the Global Fund assume a deliberate and strategic role in improving impact of grants through influencing market dynamics.

The Board notes the draft objective and guiding principles for developing the Global Fund's market dynamics strategy set out in the Report of the Policy and Strategy Committee (GF/B14/7).

The Board requests that the Policy and Strategy Committee further explore the issue and present any additional matters, including any potential modifications to the objective and guiding principles for the Global Fund's market dynamics strategy, for Board consideration at the Fifteenth Board meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP16

The Board requests the Secretariat to report on the core set of Performance Indicators for the Global Fund (formerly the Soft Performance Measures) to the Board during its first meeting of each calendar year. The Secretariat shall link the report of these indicators to the report on the Corporate Key Performance Indicators (formerly the Key Performance Indicators for the Executive Director). The Board requests the Secretariat to include impact measures as part of the core set of performance indicators as soon as feasible under the guidance of the Technical Evaluation Reference Group. The Board also requests the Secretariat to work on including gender in performance and impact measures where feasible and available in recipient country systems under the guidance of the Technical Evaluation Reference Group.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP17

The Board refers to the strategic issue of “Global Fund size” which the Policy and Strategy Committee (PSC) is currently considering. The Board recognizes that significantly increased resources are needed in the fight against the three diseases, including additional contributions to the Global Fund.

The Board requests the proposed Resource Mobilization Task Team to develop a resource mobilization strategy for how to achieve the following annual target funding levels, and to highlight in each case the associated implications:

- US\$ 4 billion to US\$ 6 billion per year by 2010; and*
- US\$ 8 billion to US\$ 10 billion per year by 2010.*

The Board further requests the proposed Resource Mobilization Task Team to deliver its findings by 15 February 2007 to inform the PSC’s further deliberations on the strategic issue of “Global Fund size”.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP18

The Board approves the Five-Year Evaluation plan, and its overall timeframe, budget and implementation arrangements, as presented by the Technical Evaluation Reference Group. The Board requests the Secretariat to seek cost efficiencies through tendering and contract negotiation processes and by building on existing investments by countries and partners.

The Board requests the Technical Evaluation Reference Group to report on progress of the evaluation at each Board meeting until a final report is delivered and thereafter on the implementation of the recommendations.

The Board authorizes the Secretariat under the oversight of the Finance and Audit Committee to commit an upper limit of US\$ 17,142,000 to initiate the Five-Year Evaluation plan immediately. The budgetary implications are over a two-year period in 2007 and 2008.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP23

The Board requests the Policy and Strategy Committee to work with the Secretariat and the Finance and Audit Committee to develop a roadmap for future collaboration with UNITAID and present it for approval by the Board at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP19

The Board welcomes the decision of the UNITAID Board to provide finance for Round 6 to increase the number of patients on treatment. The Board decides to accept a contribution from UNITAID in the amount of US\$ 52,500,000 for Round 6 grants, subject to the execution of appropriate contractual documentation by both parties.

In addition, the Board:

- A. acknowledges, without setting any precedent, that the contribution shall be used exclusively for the financing of the purchase of medicines in the treatment areas listed in the UNITAID Board resolution on Round 6 in the amounts specified therein;*
- B. decides that the Secretariat shall employ the contribution in conformity with UNITAID's eligibility requirements and in compliance with existing Global Fund procurement and other policies;*

- C. notes that UNITAID's commitment to improving the price and availability of medicines and diagnostics is consistent with the Global Fund's own endorsement in principle, expressed at its Thirteenth Meeting, of the facilitation of voluntary pooled procurement, subject to the approval of a suitable business plan, and informs the Policy and Strategy Committee's ongoing work on the issue of market dynamics; and*
- D. delegates authority to the Secretariat to negotiate, under the oversight of the PSC, a contribution agreement with UNITAID that reflects the above.*

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP21

The Board acknowledges UNITAID's offer to finance the purchase by UNICEF as procurement agent of artemisinin-based combination therapy (ACT) medicines (the "ACT Contributions"), for eligible programs financed by the Global Fund (the "GF Programs") for the scale-up of their existing ACT targets. The Board acknowledges, further, UNITAID's initial approval of US\$9,050,000 (the "Initial ACT Funding") to finance ACT Contributions, and acknowledges UNITAID's intention to approve additional funding for ACT Contributions (the "Additional Funding") once the Fund Secretariat has determined the estimated maximum amount needed for the scale-up of potentially eligible Global Fund Programs through their Phase 2 (the "Maximum ACT Amount"). The Additional Funding shall be equal to the difference between the Maximum ACT Amount and the Initial ACT Funding.

The Board accepts, in principle, UNITAID's request that the Global Fund assume sole responsibility for (a) the determination of which GF Programs shall receive ACT Contributions; (b) the adjustment of the relevant grant agreements to reflect ACT scale-up; (c) the monitoring of GF Program results linked to ACT scale-up; (d) the authorization of shipments of ACT Contributions to GF Programs procured by UNICEF based on performance; and (e) the determination at the end of Phase 1 of funding (where applicable) of whether GF Programs that are receiving ACT Contributions shall continue to receive ACT Contributions during their Phase 2. However, the Global Fund discourages non-competitive use of procurement agents so this is not intended to set a precedent.

The Board requests the Secretariat to contact Country Coordinating Mechanisms and Principal Recipients which, based on past performance, appear to have demonstrated the capacity to scale up existing ACT targets, and invite them to apply for ACT contributions, by stating in their applications the value of such requested ACT contributions. Based on these applications, the Secretariat shall calculate the Maximum ACT Amount so that the UNITAID Board can approve the Additional Funding.

Once UNITAID has approved the Additional Funding, the Global Fund Board shall, if appropriate, delegate to the Secretariat the authority to do the following:

1. enter into contracts with UNITAID and UNICEF to document how ACT Contributions by UNITAID will be financed and made available;
2. determine which GF programs shall receive ACT Contributions ("Approvals"), subject to the following:
 - a. The Local Fund Agent shall make recommendations with respect to the capacity of Principal Recipients to implement the proposed scale-up, and the Secretariat shall consider such recommendations prior to any Approvals;
 - b. The Technical Review Panel ("TRP") shall make funding recommendations with respect to applications where the scale-up in ACT targets causes material variations in other objectives of the relevant GF Program; and
 - c. The total value of the ACT Contributions authorized by the Secretariat shall not exceed the Maximum ACT Amount;
3. negotiate and execute amendments of grant agreements reflecting the approved scale-up and ACT Contributions; and
4. monitor the GF Program results linked to ACT scale-up and authorize the delivery of ACT Contributions procured by UNICEF to GF Programs based on performance.

The Board requests the Secretariat to report back to it on implementation of this decision at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP20

The Board requests the Finance and Audit Committee, in consultation with the Policy and Strategy Committee, to develop a comprehensive policy on targeted financial contributions for consideration at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP22

The Board acknowledges UNITAID's offer to finance the purchase by the Green Light Committee of the Stop TB Partnership ("GLC") as procurement agent of MDR-TB medicines (the "MDR-TB Contributions"), to eligible programs financed by the Global Fund (the "GF Programs") for scale-up of their existing MDR-TB targets. The Board acknowledges, further, UNITAID's initial approval of USD 7.9 million (the "Initial MDR-TB Funding") to finance MDR-TB Contributions and acknowledges UNITAID's intention to approve additional funding for MDR-TB Contributions (the "Additional Funding") once the Global Fund Secretariat has determined the estimated maximum amount needed for the scale-up of potentially eligible GF Programs through their Phase 2 (the "Maximum MDR-TB Amount"). The Additional Funding shall be equal to the difference between the Maximum MDR-TB Amount and the Initial MDR-TB Funding.

The Board accepts, in principle, UNITAID's request that the Global Fund assume sole responsibility for (a) the determination of which GF Programs shall receive MDR-TB Contributions; (b) the adjustment of the relevant grant agreements to reflect MDR-TB scale-up; (c) the monitoring of GF Program results linked to MDR-TB scale-up; (d) the authorization of the delivery of shipments of MDR-TB Contributions to GF Programs procured by the GLC based on performance; and (e) the determination at the end of Phase 1 of funding (where applicable) of whether GF Programs receiving MDR-TB Contributions shall continue to receive MDR-TB Contributions during their Phase 2.

The Board acknowledges that UNITAID's funding is limited to medicines and diagnostics only, and does not include operational costs that enable scale-up in MDR-TB treatment. The Board acknowledges UNITAID's intention, where a Global Fund Program is covered by MDR-TB Contributions and a material increase in expenditure on operational costs is caused by the scale-up in MDR-TB targets, to finance up to the entire purchase price of MDR-TB medicines that the Global Fund is already committed to purchasing, so as to allow the Global Fund to shift expenditure to required operational costs that UNITAID could not finance.

The Board requests the Secretariat to contact Country Coordinating Mechanisms and Principal Recipients which, based on past performance, appear to have demonstrated the capacity to scale up existing MDR-TB targets, and invite them to apply for MDR-TB contributions, stating in their applications the value of such requested MDR-TB contributions. Based on these applications, the Secretariat shall calculate the Maximum MDR-TB Amount so that the UNITAID Board can approve the Additional Funding.

Once UNITAID has approved the Additional Funding, the Global Fund Board shall, if appropriate, delegate to the Secretariat the authority to do the following:

- 1. enter into contracts with UNITAID and the GLC to document how MDR-TB Contributions by UNITAID will be financed and made available;*

2. determine which GF Programs shall receive MDR-TB Contributions (“Approvals”), subject to the following:

a. the Local Fund Agent shall make recommendations with respect to the capacity of Principal Recipients to implement the proposed scale-up, and the Secretariat shall consider such recommendations prior to any Approvals;

b. the Technical Review Panel (“TRP”) shall make funding recommendations with respect to applications where the scale-up in MDR-TB targets causes material variations in other objectives of the relevant GF Program; and

c. the total value of the MDR-TB Contributions authorized by the Secretariat shall not exceed the Maximum MDR-TB Amount;

3. negotiate and execute amendments of grant agreements to reflect the approved scale-up and MDR-TB Contributions; and

4. monitor the GF Program results linked to MDR-TB scale-up, and authorize the delivery of MDR-TB Contributions procured by the GLC to GF Programs based on performance.

The Board requests the Secretariat to report back to it on implementation of this decision at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP8

The Board takes note of the “Partnership Forum 2006 Report” (GF/B14/14) and agrees to use the recommendations contained therein to inform ongoing strategic planning and management of the Global Fund.

The Board agrees to hold the Third Partnership Forum in 2008 and mandates the Policy and Strategy Committee to convene a Partnership Forum Steering Committee to start planning for this event early in 2007.

The format and duration of the Third Partnership Forum should build on the lessons learned from previous Partnership Fora.

The Board approves a budget of US\$ 1,200,000 as an upper limit for the Third Partnership Forum and requests the Finance and Audit Committee to ensure that provision is made for appropriate Secretariat staffing levels in the 2007 and 2008 budgets.

There are no material budgetary implications for this decision.

Agenda Item 10: Report of the Finance and Audit Committee

1. The Vice-Chair asked the Chair of the Finance and Audit Committee (FAC) to present his report, which began with the subject of the Resource Mobilization Task Team (RMTT).

2. The Director of External Relations, Dr Christoph Benn, made a presentation to the Board introducing the RMTT. It was noted that the Board had recognized the need to intensify efforts on resource mobilization and had mandated the FAC and the PSC to develop a resource mobilization strategy. The committees jointly recommended the provision of additional expert advice by a special task team to complement and expand ongoing efforts in resource mobilization. The task team would review the current resource mobilization strategy, making recommendations on raising additional resources and on the best mix between public, private and innovative financing sources. The task team would advise on the potential for expanding fund raising from the private sector and on optimizing investment returns. The task team would report by 15 February 2007, which was a very short deadline and it was proposed that the team be headed up by Mr Michael Madnick from the UN Foundation, who made a brief presentation on his background, his experience of resource mobilization and new financing mechanisms, including the earmarking of nongovernmental donations.

3. In the discussion which followed, a delegate asked whether it would be possible to include a representative from the NGO sector on the task team alongside the experts from the private sector. In reply it was pointed out that the experts selected would have cross-cutting NGO experience.

4. The Director of External Relations then went on to link the RMTT with the replenishment process and in particular its length, which had been two years for the first replenishment. The Board could consider extending the period of the replenishment to three years which would bring it in line with other international financial institutions. There would be two replenishment meetings in the course of 2007 and invitations had been received from Norway and Germany to host them.

5. In discussion, it was suggested that replenishment meetings could be held alongside Board meetings to reduce costs and a point was made about the importance of appointing a new ED for the Global Fund ahead of the pledging session. It was agreed that the FAC would approve the agenda for the two replenishment meetings, which would be grounded in the Four-Year Strategic Plan.

6. Mr Sven Sandström had indicated his willingness to continue as Vice-Chair of Replenishment and Mr Kofi Annan had been approached to continue in the role of Chair.

7. The Chair of the FAC then introduced the issue of the development of a policy on in-kind donations of products and services. In explaining the guiding principles which would be followed, the Director for External Relations stated that the process would be transparent, consultative and results-driven throughout; that it would build on existing work and lessons learned via the creation of a technical working group of experts; and the whole process would be piloted by a joint steering group made up of members of the PSC and FAC.

8. In discussion, the initiative was welcomed and it was pointed out that it built on the resource mobilization planning guide which had been published by the private sector delegation. A delegate asked if the budgetary implications of a policy on in-kind donations would be considered.

9. The Chair of the FAC confirmed that there would be an approach based on cost/benefit analysis and that consultations would be broad based.

10. The Chair of the FAC invited Ms Susan McAdams, the representative from the World Bank, to make a report to the Board on behalf of the Trustee. She indicated that donor contributions to the Global Fund had passed the US\$ 6.5 billion mark and that contributions for 2006 had been US\$ 1.9 billion. A total of US\$ 90 million had been earned in interest, which translated to a 4.5 percent return.

11. The Chair of the FAC then introduced the Transition Options Project (TOP) which outlined how the Global Fund could develop its organizational status in the context of relations with the UN, taking into account the Administrative Services Agreement (ASA) with the WHO and the headquarters agreement with the Swiss government. He stated that it had proved impossible to come back to the Board with fully worked-out options, as requested, without a clear mandate to negotiate new arrangements, particularly in terms of detailed costing for example, for future pension commitments. The Deputy Executive Director presented the background to the TOP and outlined the positions adopted by key stakeholders.

12. The position of the WHO, which had provided vital assistance from the very early days of the Global Fund, was that the growth of the Secretariat was making the ASA more difficult to manage and that the system of dual governance was leading to tensions which could interfere with excellent technical cooperation relations which the two organizations enjoyed. The Swiss government had expressed a clear preference for the Global Fund to have its own governance structure. The staff of the Global Fund was not against change but had expressed a preference to remain within the UN system.

13. There were two main options therefore; to remain within the UN system or to move outside it. To remain inside would lead to continuing difficulties of governance and increased costs as the WHO would operate the ASA on a full cost recovery basis. To leave would require adjustments on remuneration and pension and initial indications were that overall costs would not be greater but only indicative figures were currently available. New arrangements would have to be found to support the travel needs of staff.

14. In discussion delegates emphasized that a decision could only be taken on the basis of thorough costings and that it was important to know what would be the full implications of any decision. There was a need to limit the overall number of international organizations but it was clear that dual governance caused a problem. The Global Fund had been envisaged originally as a public-private partnership with independent status.

15. In response to the discussion, the Chair of the FAC pointed out that what was being requested was a mandate to negotiate so that the necessary information could be provided for the Board to take a decision. The Deputy ED emphasized that it was difficult to get detailed costing of future remuneration packages and outsourced services without a clear mandate.

16. The representative from the WHO stated that the organization would support whatever decision was finally made by the Global Fund and that more details of the increased costs of staying within the current ASA would be provided.

Decision Point GF/B14/DP24

The Board approves the terms of reference of the Resource Mobilization Task Team ("RMTT"), as set forth in GF/B14/9, Revision 2 (the "Terms of Reference"), and appoints Mr Mike Madnick as its Chair. The Board requests the Chair of the RMTT in consultation with the Chair and Vice-Chair of the Finance and Audit Committee, and the Chair and Vice-Chair of the Policy and Strategy Committee, to establish the membership of the Committee, based on the parameters listed in the Terms of Reference. The Board requests the RMTT to present a report at the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP25

The Board adopts the recommendations for a Second Voluntary Replenishment of the Global Fund as outlined in Annex 5 to GF/B14/9, Report of the Finance and Audit Committee.

The Board decides that the Second Voluntary Replenishment will cover a three year period, 2008-2010.

The Board decides that the Finance and Audit Committee shall approve the agenda for the two voluntary replenishment meetings.

The Board decides that the next voluntary replenishment structure shall be grounded in the policies of the Four-Year Strategic Plan.

The Board confirms the nomination of Mr Kofi Annan, current Secretary-General of the United Nations, as Chair and Mr Sven Sandström as Vice-Chair of the Second Voluntary Replenishment of the Global Fund. The Board expresses its appreciation to both Mr Annan and Mr Sandström for their excellent leadership during the First Replenishment and willingness to continue this important service.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP26

The Board endorses the "Draft Paper on a Process to Develop a Policy on Donations of Products and Services" (GF/B14/9, Annex 7) and requests the Chair of the Finance and Audit Committee (FAC), in consultation with the Policy and Strategy Committee (PSC), to constitute the Joint Steering Group on Product and Service Donations as per the parameters outlined in Annex 7 of GF/B14/9. The Board requests the FAC to report back on progress at the Fifteenth Board meeting.

The budgetary implications of this decision point are US\$ 169,000.

Decision Point GF/B14/DP32

The Board endorses Part 1 of the Report of the Finance and Audit Committee (GF/B14/9), and, accordingly, decides to engage in the necessary preparations to discontinue its present Administrative Services Agreement (ASA) with the World Health Organization after appropriate preparations for administrative independence have been made.

The Board accordingly requests the FAC to work with the Secretariat to present for approval a detailed plan covering such preparations at the April 2007 Board Meeting. The plan shall include proposed measures to be taken prior to termination of the ASA, their costs, and the timeline over which they are intended to occur, and steps to be taken that would safeguard the interests of staff as outlined in paragraph 11 of GF/B14/9. The plan shall be consistent with the principles set forth in GF/B14/9. The Board will make its final decision at the April 2007 Board meeting.

The budgetary implications of this decision point are US\$ 300,000 in 2007.

Agenda Item 11: Report of the Portfolio Committee

1. The Chair asked Minister Urbain Oluanguena Awono, the Chair of the Portfolio Committee (PC) to give his report to the Board.
2. In his presentation, the Chair of the PC noted that the Committee had met in Geneva in September and established two working groups, one on Phase 2 and the other on eligibility. The main issues for decision by the Board concerned Phase 2 decision-making policies and procedures; the South Africa Round 3 Western Cape HIV/AIDS Phase 2 request; and the question of the earlier initiation of TRP clarifications and LFA assessments.
3. The Board had asked the PC to examine ways to streamline the Phase 2 process and the Committee was recommending two changes: beginning the review process three months later to enable results up to month 18 to be taken into account; and the removal of the second loop of Board review on “No Go” decisions. In cases where the Secretariat maintains its “No Go” assessment following a Board vote to continue, the case would be sent to an independent review panel.
4. In discussion, it was pointed out that the principle that it is the Board of the Global Fund which takes funding decisions must be maintained. In the case where, in effect, an advance on Phase 2 money was being made, then this was acceptable. But where grants in category B2 or C had spent all of their money but had met only half of their targets, then essentially, the organization was providing bridge funding with no clear goal in sight. So the Board should receive the necessary information in order to reach a decision. A question was asked by a delegate on the staffing and time implications of providing such information.
5. The Director of Operations replied that only a very small number of cases would be concerned by the change so the human capital implications for the Secretariat would be minimal.

6. The Chair of the PC noted that the Committee would continue to examine ways to improve Phase 2 policies and procedures. One example of the challenges thrown up by Phase 2 was the case of the South African Western Cape project where a request had been received from the government for a four-year Phase 2. This was outside the bounds of current Global Fund policy. However, the request included an innovative approach to sustainability and the performance of the grant had been excellent. It was therefore recommended by the PC that the Board should agree to the request provided that the Government of South Africa achieves sustainability of the HIV/AIDS program by the end of Phase 2 and provides continuing funding over the next four years. The CCM would also have to commit to achieving or exceeding original targets of five years and increased targets for the sixth year without additional funding.

7. The Thirteenth Board Meeting had requested the PC to develop conditions for the earlier initiation of TRP clarifications and LFA assessments. However, following a detailed examination, the time savings proved to be less than originally anticipated. Providing notice to a select group of applicants might only contravene principles of transparency and equity and role of the TRP as a recommending body will be undermined through increased lobbying. Although an email vote had been originally envisaged, it had now been brought to the Board for decision.

8. The Vice-Chair of the TRP was asked to comment and stated that the TRP was not in favor of the proposed changes. The Director of Operations suggested that in order to garner savings of staff time and effort, it was necessary to look at the overall platform of grant decisions where there were other opportunities for savings. The decision point was tabled.

9. The Board acknowledged the lessons learned in Round 6 by the TRP and the Secretariat.

10. An announcement was made by the CFO that following the decision to adjust Phase 2 and taking into account pledges made during the meeting of the Board, Round 6 was in a position to be fully funded.

11. The Board then considered a decision point put forward by the South East Asia delegation which asked the PC to examine the quality assurance policy as it related to single and limited-source pharmaceuticals. The decision point asked the Secretariat to develop a policy on this issue proposing recommendations on the continuity of treatment for patients.

12. In discussion, it was pointed out that it was important to draw a distinction between the difficulties that individual countries might face and a global change in policy. The procurement policy of the Global Fund was well-established and should be adhered to. Delegates asked whether this was a general problem or whether it affected only a few countries.

13. In response, the ED said that the decision point would entail a complex and open-ended process which would not lead to concrete results. An examination could be made of the specific case in hand, concerning the pre-qualification process of the WHO and the request of the Thai government. There was scope for adjusting Global Fund resources within the project so that there would not be any interruption of treatment.

14. The Director of Operations stated that no other countries were facing the same kind of problems. The decision point was not adopted.

15. A decision point was then considered on the eligibility for upper-middle income countries for grants. The PC was continuing its examination of this subject via a sub-working group which had solicited technical information from WHO/UNAIDS on vulnerable groups and the costs of interventions for each of the three diseases. The PC would bring recommendations to the Fifteenth Board Meeting covering the comparative advantage of the Global Fund financing such interventions and would look at other criteria for vulnerable populations.

16. In the discussion which followed, a delegate noted that in upper-middle income countries, certain vulnerable groups could face difficulties in getting access to treatment because of stigma and discrimination and that these countries were prey to economic crises which had an impact on resources available for health care. A number of delegates went on to state that the issue was a fundamental one for the organization, which needed a solution and merited a decision by the Board. It was suggested by a delegate that the level of disease burden might provide a suitable indicator for eligibility for Global Fund grants.

17. It was observed that the scope of eligibility was a vital question for a number of regions with significant numbers of upper-middle income countries, particularly Latin America and the Caribbean, Eastern Europe and the Western Pacific. Delegates expressed the hope that the question could be addressed before the launch of Round 7. As this was no longer a technical but a political issue, all constituents should have the opportunity to give their input, making use of tools such as the holding of a teleconference so that the PC could make concrete recommendations to the Board.

18. The Chair of the FAC then turned to the question of the Global Fund's procurement policy (concerning procurement of goods and services for the Secretariat) and asked Bartolomeo Migone, Legal Counsel to introduce the decision point.

19. It was explained that the Global Fund's procurement policy, as adopted at the Fifth Board Meeting, was based on that of the WHO and that it was important to keep the two policies broadly in line with each other. The threshold ceiling for the referral of contracts to the Contract Review Committee had been raised by the WHO to US\$ 150,000 and it was proposed that the Global Fund should do the same.

20. The Chair of the FAC then asked the CFO to introduce the decision point on the budget for 2007.

21. The CFO stated that at the mid-year point at the end of June 2006, 45 percent of the budget had been utilized and that expected savings on In-country Oversight (LFAs) would not be fully realized leading to actual costs exceeding the budget by up to US\$ 3 million.

22. For the 2007 budget, it was noted that a Board policy to guide budget development in future years was desirable, giving clearer and better aligned expectations which could guide FAC reviews. The drawing up of this policy would be informed by an external evaluation of staffing needs including size and structure.

23. The proposed budget for 2007 was US\$ 104 million, excluding the one-off cost of US\$ 17 million for the Five-Year Evaluation, with staff rising by 15 per cent to 300 (or 288 full-time equivalents). Cost drivers were principally the growing number of grants and the increasing complexity of grant management under Phase 2.

24. In discussion, it was asked whether there were any plans for a supplementary budget in 2007 and if efficiency gains could be identified. Delegates also emphasised that a medium-term budget perspective would be useful and would provide an aid to planning.

25. In response, the CFO confirmed that business services were included within staffing costs and there would be no extra spending on these items. The Chair of the FAC stated that medium-term financial planning was already carried out to a degree but that this could be strengthened in future.

26. A decision point on the staff implications of Board decisions was then read out and adopted.

27. A delegate raised the issue of the confidentiality of audio tapes from Board meetings and requested that as a policy on confidentiality did not yet exist, it should be developed and submitted to the next meeting of the PSC. Other delegates raised the issue of whether there was a policy on the recording of Board meetings and on what the implications of a confidentiality policy might be on discussions within delegations.

28. The Vice-Chair replied that there was no policy on recording Board meetings but existing guidelines on transparency did cover to some extent the issue of confidentiality.

Decision Point GF/B14/DP27

The Board approves the document entitled "Phase 2 Decision-Making Policies and Procedures" included as Annex 3b, version 2 to the Report of the Portfolio Committee (GF/B14/8) and revokes the previous version of this document approved at the Twelfth Board Meeting.

The Board revokes Point 1 of the decision approved at the Tenth Board Meeting entitled "Phase 2 Decisions Process" (GF/B11/2, p. 21).

The Board replaces Point 2 of the decision approved at the Twelfth Board Meeting entitled "Extension of Proposal Completion Dates" (GF/B13/2, p. 27) with the following decision:

The Board decides that in circumstances where the term of a Phase 1 Grant Agreement has been extended in accordance with paragraph 7 of the Phase 2 Decision-Making Policies and Procedures attached as Annex 3b, version 2 to the Report of the Portfolio Committee (GF/B14/8) (a "Phase 1 Extension"), the Secretariat may extend the Phase 2 term of Grant Agreements by up to an equal length of time as the Phase 1 Extension without committing any additional funding.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP28

The Board recognizes the importance of encouraging countries to actively seek innovative sustainability strategies.

In this context, the Board notes:

- a. the commitment of the government of South Africa to achieve sustainability of the HIV/AIDS program entitled "Strengthening and Expanding the Western Cape HIV/AIDS Prevention, Treatment and Care Programs" (the "Program") by the end of the Phase 2 term, therefore not requiring further Global Fund support for these activities beyond the next four years;*
- b. the program is performing well and is A-rated;*
- c. the CCM of South Africa and the Principal Recipient of the grant have committed to achieving or exceeding the targets in the proposal within the originally contemplated five-year term and to appropriate increased targets for the sixth year; and*
- d. the CCM of South Africa has not requested additional funding for Phase 2 of the grant beyond that requested in the proposal.*

Therefore, the Board authorizes the Secretariat, on an exceptional basis and without setting a precedent, to consider the Request for Continued Funding submitted by the CCM of South Africa for the Round 3 South Africa grant for the Program (Grant Number SAF-304-G04-H) which anticipates a four-year Phase 2 term. The Board requests the Secretariat to provide by 1 December 2006 a recommendation for continued funding for this grant. Such recommendation shall include a condition for continued funding that the government of South Africa makes significant counterpart financing contributions to the Program over the next four years.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP29

The Board acknowledges the lessons learned by the Technical Review Panel (TRP) and Secretariat during the Round 6 proposals process as presented in the Report of TRP and the Secretariat on Round 6 Proposals (GF/B14/10), and delegates authority to the Portfolio Committee to:

- a. approve appropriate revisions to the Proposal Form and Guidelines for future rounds by 1 March 2007; and*
- b. approve appropriate revisions to the process for screening and clarification of proposals prior to submission to the TRP.*

There are no material budgetary implications of this decision.

Decision Point GF/B14/DP30

The Board approves for funding for an initial two years, subject to paragraph 4 of the decision GF/B14/DP5, all remaining Round 6 proposals recommended for funding by the Technical Review Panel and listed in Annex 2, Rev. 2 to GF/B14/10 Rev. 1 as “Category 2B” that the Board did not previously approve for funding due to resource constraints.

All conditions placed on Round 6 approvals listed in decision GF/B14/DP5 apply to the approvals made under this decision.

There are no material budgetary implications of this decision.

Decision Point GF/B14/DP31

The Board requests the Portfolio Committee to consider modifications to the Global Fund policy on eligibility, particularly with regard to the criteria for Upper-Middle Income Countries, and to make a recommendation to the Board by early February 2007, so that the Board may take a vote by e-mail following a Board conference call that is informed by prior submissions from Board delegations on any such recommendations prior to the launch of the Call for Proposals for Round 7.

There are no material budgetary implications of this decision.

Decision Point GF/B14/DP33

The Board approves the amendments to the document entitled “Global Fund Policy on Secretariat Procurement of Goods and Services” (approved at the Fifth Board Meeting and presented as Annex 4 to GF/B5/8) as presented in Annex 6 to the Report of the Finance and Audit Committee (GF/B14/9).

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP34

The Board requests the Finance and Audit Committee (FAC) to develop a framework to guide future reviews by the FAC of the Secretariat's annual budget proposals.

As part of the framework development process, (i) the Board requests the Executive Director, in consultation with the FAC and other Board committees to initiate an external evaluation of the Global Fund's staffing, including its structure and size; and (ii) the FAC will identify appropriate budgetary parameters to assist future budget reviews.

The Board requests the FAC to take into account the operational implications of the Resource Mobilization Task Team and the Four-Year Strategic Plan.

The Board requests that the FAC report to the Board on its progress at the April 2007 Board meeting.

The budgetary implications of this decision point are US\$ 50,000.

Decision Point GF/B14/DP35

The Board approves the 2006 Operating Expense budget in the amount of US\$ 104,728,000 as set out in Annex 8 to GF/B14/9 and as recommended by the Finance and Audit Committee and proposed by the Secretariat.

Decision Point GF/B14/DP36

The Board recognizes that its decision points require clear directions with respect to interpretation, policy and staffing implications, and directs the Secretariat to incorporate additional staffing needs, in addition to budgetary implications, in all its decision points.

The Board furthermore acknowledges that it has a responsibility for the impact on the workload of the Secretariat and Board Committees of decisions that have not been brought to the Board through a Committee process. Therefore, the Board delegates authority to the Chair of the Board Committee with jurisdiction over the matter addressed in that decision point, who shall consult with the Executive Director, to clarify any necessary follow-up in relation to interpretation and its policy implications and to make recommendations on its staffing implications.

The Board requests the Finance and Audit Committee to incorporate in the process of developing a framework that guides review of Secretariat's annual budget and the evaluation of the Global Fund's staffing as requested by the Board at its Fourteenth Board Meeting, a process for handling the recommendations on staffing implications in the event that the approved decision point results in a need for additional resources.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP37

The Global Fund Board directs the Secretariat to draft a policy for the Global Fund Board and Secretariat concerning the maintenance of confidentiality of any recordings of Executive Sessions of the Global Fund Board, and the circumstances, policies and procedures under which any individual may receive access to these recordings.

The Board requests the Secretariat to present such draft policy in time for consideration of the next meeting of the Policy and Strategy Committee (PSC), and requests the PSC to present its recommendation for a policy on the "Confidentiality of Recordings of the Executive Sessions of the Board" for approval by the Board at the April 2007 Board Meeting.

There are no material budgetary implications for this decision.

Agenda Item 12: Corporate Key Performance Indicators

1. The Vice-Chair then asked Christina Schrade, Advisor to the Executive Director, to introduce the agenda item on Key Performance Indicators. In her presentation to the Board, she stated that four minor changes had been made to existing indicators, one had been changed (Harmonization) and two new indicators had been added on private sector financing and finalizing the administrative arrangements for the organization.
2. In discussion, delegates welcomed the new key performance indicators, asked for clarification on whether the harmonization target could be met in 2007 and supported the idea of closer alignment with country fiscal cycles, in-line with OECD-DAC guidelines.

Decision Point GF/B14/DP39

The Board approves the 2007 Corporate Key Performance Indicators and associated 2007 targets contained which will also serve as the Key Performance Indicators/Targets for the Executive Director.

There are no material budgetary implications for this decision.

Agenda Item 3 (continued): Report of the Nominations Committee

1. The Board met in Executive Session on the first day of the Board meeting to hear the Report of the Nominations Committee for a new Executive Director and proceeded to debate the candidates and vote to select one of the five finalists. Additional Executive sessions were convened on the Board meeting's second day. On the Board meeting's last day, the Chair reported that despite almost twenty hours of debate over two days, the Board had been unable to reach a consensus decision on the selection of a new Executive Director for the Global Fund. She reported that a Nominations Committee (NC) had been constituted with specific terms of reference - in line with previous Board decisions - to recruit an executive search firm and to draw up a short-list of candidates. This had been done and the Board had been presented with a short-list of five excellent candidates, all of whom had the necessary qualifications and experience to lead the organization. The Board, meeting in executive session, had narrowed down the short-list to two candidates but had been unable to reach the required two-thirds majority across all constituency groups to make a final choice. The Board had therefore decided to re-advertise for the position of Executive Director.

2. As one of the short-listed candidates, Michel Sidibe, is currently employed by UNAIDS, a waiver of the policy concerning the "cooling-off" period required was requested.

3. As the Executive Session had finished late in the evening, it had been considered necessary to put out a statement to the media and this had been done in the form of a press release. The NC had been asked by the Board to meet during the course of the day to review the procedure which had been used for the nomination process and to suggest a new process which could help the Board to reach a final decision.

4. In discussion, a delegate suggested that the press release might have given the impression that no decision had been reached by the Board because of shortcomings of the short-listed candidates and this reading could therefore have an impact on the reputations of the candidates, in particular the final two. This impression might need to be corrected by a further press release which explained clearly that the shortcomings related not to the candidates, both of whom were considered to be excellent and eminently qualified for the job, but only to the decision-making process, which had been unable to produce a consensus.

5. Several delegates expressed the view that it would not be appropriate to issue a further press release and that no negative conclusions on the quality of existing candidates could be drawn from statements which had been made by the Board.

6. Some delegates felt that it would have been advisable to continue seeking a way to break the deadlock in the decision-making process and were worried that the failure to reach a decision would have an impact on future contributions to the Global Fund.

7. A delegate stated that the inability of the Board to appoint a new Executive Director (ED) should not be considered a failure, but showed instead that the Global Fund's innovative approach to decision-making required the achievement of a level of consensus which was worth striving for. What was required was to rebuild the atmosphere of partnership which had underpinned so much of the Board's discussions.

8. A number of delegates offered their thanks to the Chair for the manner in which she had handled the discussions, where there were considerable differences of approach. It was also noted by several delegates that the governance procedures drawn up by the Global Fund, including the double two-thirds majority used to select the final candidate for ED by the Board, were one of the strengths of the organization and had allowed great progress to be made in fighting the three diseases, which should at all times be kept in focus as the principal responsibility and objective of the Global Fund.

9. It was suggested by a delegate that as the press statement had not yet been translated into other languages, the points raised by some delegates could be clearly referenced in the other language versions. However, it was pointed out that the translations needed to be an accurate version of the original in order to avoid confusion.

10. Following consultations with a number of delegations, the Vice-Chair of the Board presented the draft of a second press release, which further emphasized the excellent qualities and experience of all the short-listed candidates for the position of Executive Director and explained in more detail the process that had been used and how the Global Fund would proceed in the coming weeks to reach a decision.

11. The Chair invited Peter van Rooijen from the Developed Country NGOs constituency to report back on the discussions which had been held concerning the selection of the future ED and on the consultations which had taken place with delegations. He began by drawing some lessons from the experience gained during the selection process for the ED, which revolved around three main issues: preparation, decision-making and voting.

12. The decision-making process should allow the members of the NC to get to know the candidates more thoroughly and therefore give an opportunity to rank them on the basis of the selection criteria. Delegations need to come to the Board with a clear mandate and the authority to reach a decision on the basis of a short-list of two or three candidates drawn up by the Nominations Committee. In the decision-making process, the Board should avoid using techniques which might prove divisive, such as straw polls and should indicate a preference, helped by mediation from the Chair and Vice-Chair, who would not exercise a vote. In terms of the voting procedure, efforts to reach a consensus should be maximized but there should be a fall-back process based on simple majority voting. The existing composition of the Nominations Committee should be maintained to ensure continuity and the process to be followed should be agreed upon in advance by the whole Board and a commitment made not to leave the next Board meeting without a new Executive Director.

13. In discussion, there was widespread recognition of the progress made by the Nominations Committee and for the suggestions made. One delegate regretted the launching of a new selection process which would only increase uncertainty, especially in the context of funding decisions which were currently before national decision-makers. The delegate asked for an extraordinary meeting of the Board to be held before the end of the year and urged an effort needed to be made to move away from the mentality of voting by block.

14. A delegate suggested that a ranked short-list should not necessarily be restricted in size so as not to exclude qualified candidates. If a cooling-off period was included as an option it should be sufficiently long to have a positive effect. In order to break a deadlock, a delegate proposed that a simple two-thirds majority across the whole Board might be the most workable solution. Some delegations opposed the idea of ranking short-listed candidates as it was felt that this would diminish the role of the Board in making the final selection. One way to preserve the block voting structure which was inherent to the Global Fund's decision-making processes was to move to a simple majority vote within the blocks. Several delegates suggested that the NC should be empowered to reach clearer judgements based on the selection criteria.

15. It was suggested by the Vice-Chair that Peter van Rooijen should continue as Chair of the NC.

16. A delegate then proposed a motion which would reconvene the Board before the end of 2006 to make a final decision from the previous short-list of five candidates. He stated that all were agreed that current short-list of candidates met all the selection criteria and all five candidates presented exceptional qualities. The motion was intended to prevent uncertainty over the next ED being dragged out over a period of several months.

17. Support was expressed for the motion by several delegates who pointed out that the Board was within its rights to alter decisions taken previously but that the text of the motion should not exclude the innovations in process which had been presented to the Board by the NC. Other delegates opposed the motion because it excluded the possibility of opening up the selection process to new candidates. The proposing delegate expressed a willingness to search for compromise language so that a vote could be taken on the motion. After discussion the Board adopted the decision point below.

Decision Point GF/B14/DP2

The Board decides to approve the request of Michel Sidibe for a waiver of the one-year "cooling off" period set forth in Section 7 of the Policy on Ethics and Conflict of Interest for Global Fund Institutions.

There are no material budgetary implications for this decision.

Decision Point GF/B14/DP6

The Board decides to re-advertise the position of Executive Director, and constitute a Nomination Committee.

The Nomination Committee shall refine the process for selecting the shortlist of candidates for the new Executive Director and present it to the Board no later than its Fifteenth Board Meeting (April 2007).

The Board requests the Nomination Committee to recommend to the Board possible changes in the Selection Process and Voting Procedures for deciding amongst the short-listed candidates for Executive Director, based on the experience of the Fourteenth Board Meeting (November 2006) and advise the Board (in consultation with the Chair of the Finance and Audit Committee) of the budgetary implications of this decision.

Decision Point GF/B14/DP38

The Board decides to establish a new Nomination Committee to assist with the selection of the next Executive Director of the Global Fund. The members of the Nomination Committee shall be Sheila Dinotshe Tlou, Ren Minghui, Abdalla Abdillahi Miguil, Carole Presern, Melinda Kimble, Masaru Tsuji and Stefano Vella, chaired by Peter van Rooijen and supported by Bobby John.

The Board decides that the Executive Director shall be selected based on a list of candidates which might include the nominees considered at the Fourteenth Board Meeting in a special Board Meeting to be held in Geneva before mid-February 2007 and that the Nomination Committee shall propose voting procedures that would allow the Board to make a selection at that session.

The Board re-affirms the “Selection Criteria for Executive Director” and the “Terms of Reference of the Executive Director of The Global Fund to Fight AIDS, Tuberculosis and Malaria” (GF/14/5, Annex 1).

The Board decides that the Nomination Committee shall submit to the Board a shortlist of five nominees. The Nomination Committee shall provide an indicative ranking, which shall not be binding on the Board, of the nominees based on the extent to which they meet the Selection Criteria.

The Nomination Committee shall, not later than 1 December 2006, present an Action Plan to the Board for approval by email. The Action Plan shall set forth the powers of the Nomination Committee and include the following:

- The actions that the Nomination Committee will carry out and their timing;*
- A description of the additional search process that is required;*
- A description of the limited involvement of an executive search firm in the nomination process;*
- The timeline for submission of a decision making process for the selection of a new Executive Director to the Board for approval.*
- A weighting/ranking of the selection criteria*

The budgetary implications of this decision are US\$ 300,000.

Agenda Item 13: Report of the Ethics Committee

1. Due to a lack of time, this report was not presented

Agenda Item 14: Any Other Business

1. A minute of silence was observed in honor of the Nigerian journalist Omolulu Falobi, an activist in the fight against HIV/AIDS and a frequent spokesperson on behalf of the Global Fund, who had been killed in an armed robbery on 5 October 2006.
2. The Vice-Chair thanked everyone for their contributions to the meeting.