



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Sixteenth Board Meeting
Kunming, China, 12 – 13 November 2007

GF/B16/2
Revision 1

REPORT OF THE FIFTEENTH BOARD MEETING

OUTLINE:

1. This document presents the draft Report of the Fifteenth Board Meeting and includes all decisions made at that meeting. The Report of the Fifteenth Board Meeting is subject to ratification by the Board of the Global Fund at its Sixteenth Board Meeting, 12 – 13 November 2007, in Kunming, China.
2. Accompanying documentation from the Fifteenth Board Meeting is available at www.theglobalfund.org or by writing to board@theglobalfund.org.
3. Decision Points are clearly indicated.

Decision Point:

The Board approves the Report of the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

TABLE OF CONTENTS

Agenda Item 1:	Introduction and Welcome	3
Agenda Item 2:	Appointment of the Rapporteur	4
	Approval of the Agenda.....	4
	Approval of the Report of the Fourteenth Board Meeting	4
Agenda Item 3:	Reports from the Secretariat.....	4
Agenda Item 4:	Partners in Impact Report	6
Agenda Item 5:	Operations Update	6
Agenda Item 6:	Report of the Policy and Strategy Committee.....	7
Agenda Item 7:	Election of Chair and Vice-Chair.....	23
Agenda Item 8:	Report of the Finance and Audit Committee.....	24
Agenda Item 9:	Trustee Report	32
Agenda Item 10:	Report of the Performance Assessment Committee	32
Agenda Item 11:	China Site Visits.....	34
Agenda Item 12:	Report of the Portfolio Committee.....	34
Agenda Item 13:	Committee Issues	43
Agenda Item 14:	Approval of the Annual Report	45
Agenda Item 15:	Ethics Committee Report	45

Agenda Item 1: Introduction and Welcome

1. The Chair of the Board, Dr Carol Jacobs, welcomed Board members to the Fifteenth Board Meeting in Geneva, Switzerland, and drew the attention of Board members to the importance of Africa Malaria Day.
2. The Chair commented on the good reception which the Oslo Replenishment Meeting had received and offered her thanks to the Chair and Vice-Chair of the Replenishment process on behalf of the Board.
3. The Chair formally thanked Professor Sir Richard Feachem for all he had achieved as Executive Director of the Global Fund and asked that a small gift be forwarded to him as he was unable to attend the Board meeting. The Chair stated that a number of significant challenges had been met over the preceding months, but the organization had grown in maturity through them. The Chair offered her thanks to the two Vice Chairs, Dr Michel Kazatchkine and Dr Lieve Fransen, for their support and went on to explain how the balance of the Global Fund Board between countries of the North and South had been important since the beginning and remained so now. The Chair mentioned recent field visits to Rwanda and Senegal and noted that important developments were occurring in Africa, particularly with the creation of Friends of the Fund in that region and the value of the growing partnership with the private sector through the Global Business Coalition. Finally, the Chair welcomed the newly appointed Executive Director of the Global Fund, Dr Michel Kazatchkine and thanked Deputy Executive Director Ms Helen Evans for the vital role she played during the transition period.
4. The Vice-Chair of the Board, Dr Lieve Fransen also thanked Professor Sir Richard Feachem and Ms Helen Evans for the work done in ensuring a smooth transition between Executive Directors and pointed out several areas which would require stronger Board unity in the future. The Vice-Chair cited the selection process for the new IG as one item needing particular attention from the Board. Efforts should also be made for better coordination with the IG once an appointment has been made. A new way of working with Committees was also cited as an important issue. The Vice-Chair asked the Executive Director to set up a coordination body between Committees to facilitate better communications between the Secretariat and Committees.
5. The Vice-Chair announced that despite the fact that the European Commission (EC) has not announced major increases to the Global Fund, she was proud to say that the EC has inscribed a budget for the Global Fund for 2007-2013, representing an increased consolidation and an increased predictability of financing until 2013.
6. The Vice-Chair concluded her remarks by pointing out that further work is needed within the Board on trust and unity issues. The Vice-Chair stated that trust and unity within the Board would lead to trust and unity at the country level, leading to even better results.

Decision Point GF/B15/DP2:

We, the Board of the Global Fund to Fight AIDS, Tuberculosis, and Malaria, wish to express our heartfelt thanks and appreciation to Professor Sir Richard Feachem for his tremendous service as our founding Executive Director. He has helped lead a Secretariat of the Global Fund from vision to reality. There is no greater measure of success than the estimated 1.25 million lives saved because of Global Fund-supported grants. We thank him for his tremendous service and

wish him continued success as a global leader committed to improving the health and well-being of the world's poorest citizens.

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

1. The Chair presented the agenda for the Fifteenth Board Meeting and asked for the election of Chair and Vice-Chair to be deferred until the following day to allow further consensus-building among delegates.
2. The Chair informed the Board that the Rapporteur for the Fourteenth Board Meeting in November 2006, Dr Françoise Ndayishimiye from the Communities Delegation, had reviewed and approved the report from the Fourteenth Board Meeting as an accurate reflection of the meeting's proceedings. She thanked Dr Ndayishimiye and stated that Mr Alexander Konuzin from the Eastern Europe constituency had agreed to act as Rapporteur for the Fifteenth Board Meeting.

Decision Point GF/B15/DP1

Mr Alexander Konuzin from the Eastern Europe constituency is appointed as Rapporteur for the Fifteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP3

The agenda for the Fifteenth Board Meeting (GF/B15/1, Revision 3) as amended at the Fifteenth Board Meeting is approved.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP4

The Report of the Fourteenth Board Meeting (GF/B15/2) is approved.

There are no material budgetary implications for this decision.

Agenda Item 3: Reports from the Secretariat

1. Dr Michel Kazatchkine, the Executive Director of the Global Fund, addressed the Board. He stated that the Global Fund had grown very quickly to become a major player in the global health architecture, but was no longer a start-up organization. To assess where the structures of the Global Fund needed to be strengthened, he had initiated a Transition Team under the leadership of Keith Bezanson which had consulted Global Fund stakeholders, including staff, current and past members of the Board, partner organizations and other friends

of the Global Fund on areas where continuity is important and where change is needed.

2. The results of these consultations indicated the need for a comprehensive management review of the Global Fund, covering a workload analysis of the Secretariat and an organizational and structural assessment of the Global Fund's management processes. In addition, the Executive Director indicated a need for an independent review of the Global Fund's financial systems.

3. The Global Fund would also have to continue to strengthen its role and participation in the broad partnerships between multilateral organizations, governments, civil society and the private sector. These partnerships provide the best approach to tackling the three pandemics. The other area where the new Executive Director would be focusing attention was on building the relationship between the Board of the Global Fund and the Secretariat.

4. The Chair informed the Board that Ms Helen Evans, the Deputy Executive Director, would present a combined report of the Executive Director and the Secretariat.

5. The Deputy Executive Director pointed out that 2007 is an important year in the life of the Global Fund with a new Executive Director, and new Chair and Vice-Chair of the Board. The key is to strike the right balance between continuity and change and she therefore welcomed the external review of the Secretariat to which the new Executive Director had referred.

6. In discussion, a very large number of delegates welcomed the appointment of the new Executive Director and thanked him for his opening remarks. Many delegates added their emphasis to the central importance of building partnerships in order to work effectively with all actors engaged in fighting the three pandemics at the international, regional, country and local levels. There was widespread recognition of the essential work carried out by the Secretariat but many delegates expressed concern over workloads of staff members and the problem of overwork, which has led to high levels of staff turnover. Some delegates mentioned the need for reform of the Global Fund and others asked the Secretariat to be less punitive in its response when grants were found not to be performing to the required level. A number of delegates observed that the Global Fund was at a key point in its development.

7. In response to these comments, the Deputy Executive Director expressed her regret that the results from the staff survey were not ready for this Board meeting, but feedback from the Transition Team indicated that there were still issues around workload, morale, communication and stress. The Global Fund had met its own targets for integrating people from the affected communities onto the staff, although these targets should be reviewed in the light of the growth of the Secretariat. Staff turnover was now eight percent but this could be reduced further still. It was advised that questions concerning individual grants should be discussed with the Secretariat offline.

8. The Executive Director added his thanks to the delegates for their expression of welcome and support. He also stressed that all concerns should be aired and that the basis of trust was an open environment where all issues could be discussed.

Agenda Item 4: Partners in Impact Report

1. Dr Daniel Low Beer, Deputy Director of the Secretariat's Performance, Evaluation and Policy Team, delivered a presentation of the "Partners in Impact" results report. The report, also known as the "Pink Report" has two major themes: the Global Fund is a partnership system, which cannot deliver results without the involvement of all partners, including those actually delivering services; and the fact that the Global Fund focuses on achieving impact.
2. Three conclusions were generated from the report. The first is on program performance: 75 percent of programs supported by the Global Fund can achieve their targets despite challenges. Secondly, partnerships work. The report included a large section on civil society and its success in ensuring that interventions reach the people in need. Finally, the report discusses the impact seen so far and the challenges that the Global Fund experiences in working to achieve impact.
3. In discussion, it was noted that this report and others like it had been crucial in creating the shared reality concerning the Global Fund and this common perception now needed to be extended to country level. Areas where the information contained in the report could be strengthened were pointed out: a breakdown of prevention and treatment programs by disease, for example. It was also pointed out that if budgets were tracked by program area then "attributability" could be strengthened.
4. Delegates also requested that more attention be given to reproductive health systems and mother-to-child-transmission (MTCT) of HIV/AIDS as the whole issue of gender was central to assessing impact. Several delegates mentioned the important role that human resources bottlenecks were playing in slowing the process of Health Systems Strengthening (HSS). Questions were asked concerning improvements which could be made in the Local Fund Agent (LFA) model and the participation of communities within the Country Coordinating Mechanisms (CCMs). Use of figures on lives saved needed to be treated in a perspective of sustainability. Harmonization and coordination amongst Global Fund partners were a crucial element of leveraging impact.
5. In response, the Executive Director flagged a meeting for implementers that would be held in Kigali in June 2007 and he also pointed out that technical assistance was not provided to an institution but to country programs.
6. It was noted by Dr Daniel Low Beer that it was a challenge getting information on prevention from country programs. He also noted the need to bridge the communications gap; the importance of addressing gender issues; the use of vertical funding in HSS; and the essential role played by civil society in the delivery of services. He remarked that this was a first look at data on impact which would be extended with the Global Fund's Five-Year Evaluation project. The Global Fund is a learning organization and this could be another best practice example.

Agenda Item 5: Operations Update

1. Dr Nosa Orabaton, Chief of Operations, gave the Operations Update, covering issues on the quality of disbursements, integrated risk management and the overall size of the grant portfolio. The time lapse between Board approval and grant signing continued to improve. On Phase 2, Dr Orabaton outlined where constraints lay, discussed the status of the Rolling Continuation Channel (RCC)

and reported on results achieved by the Operations Unit in a number of fields including the LFA tendering process and CCM governance.

2. In discussion, it was asked how the Board could avoid micromanaging in relation to the Price Reporting Mechanism (PRM) if it was to do its fiduciary duty. A number of delegates raised the issue of LFAs and in particular the need to grasp the opportunity to give clarity to their function, due to their being critical to the success of programs on the ground. Documenting disbursement decisions would be dependent on the quality of data that could be obtained. On the issue of quality assurance of procurements, a delegate asked whether there were malaria or TB drugs which had been pre-qualified by WHO. A request was made for information at the next Board meeting on whether the Global Fund is participating in Sector-Wide Approach Programs (SWAPs) and if so, to what extent.

3. Other points made in the debate welcomed the progress that had been made on the Early Alert and Response System (EARS) and the role that civil society had played in its development. Delegates also requested more concrete information on the purchasing of artemisinin-based combination therapies (ACTs) for the treatment of malaria.

4. In reply, Dr Orabaton explained that there are data from 130 countries with 315 grants having components with health products in the PRM. Eleven countries did not submit data, giving a success rate of more than 90 percent. However, the PRM requires 100 percent compliance and is tied to disbursements. Building on the pilot, the next objective is to roll out the systematic linkage of financial data to results. On LFAs, discussions will continue and it has been broadly recognized that there are opportunities for improvement that must be maximized at the country level. EARS is a cooperative system which requires partnership to work, and the Global Fund website provides a useful mechanism for achieving this. Information relating to ACTs is tied to financial tracking but it should be possible to extract more information on this subject in the future.

5. The Executive Director added words of caution concerning the validity of comparing unit costs across countries, as these vary greatly depending above all on the human resources available. He also pointed out that where multiple actors were supporting the same program, it was important to demonstrate how it was possible to work together rather than focusing too closely on the balance of ownership.

6. It was added that though there were 315 grants where data could be expected in the PRM, only 215 had reported, so there was a discrepancy which need to be resolved.

Agenda Item 6: Report of the Policy and Strategy Committee

1. The Chair of the Policy and Strategy Committee (PSC), Dr William Steiger, began the report by presenting the timeline of the work carried out over the preceding two years. The third phase of this timeline was being embarked upon and comments from the Board would be considered by the next replenishment meeting. Decision points for this meeting covered funding the right things, civil society and the private sector, market dynamics, alignment and harmonization, HSS and resource mobilization. In order to fully implement the proposed strategy there were budgetary implications of US\$ 7 million. No general agreement on the size of the Global Fund had been reached in the PSC at the time of the presentation so the Chair and Vice-

Chair would attempt to produce a consensus document to be considered by the Board on the following day.

2. On resource mobilization, Dr Christoph Benn, Director, External Relations, presented the work of the Resource Mobilization Task Team and thanked the UN Foundation and the Bill & Melinda Gates Foundation for their support in meeting a very tight deadline. The four priority areas for increased financing were the public sector (the primary source of funds), investment income, the private sector and innovative finance. Over the coming four years the priorities for each area would be: to continue the voluntary replenishment process so long as it still has value to donors; to maximise returns from investment income; to continue to make the Global Fund more welcoming to the private sector; and to attract resources from innovative financing sources through Board advocacy.

3. In discussion, it was suggested that regular assessments needed to be made to ascertain if staffing levels were keeping pace with increased resource mobilization. It was agreed that this assessment, which required a full twelve month evaluation, would be presented to the Eighteenth Board Meeting.

4. On HSS, the PSC view was that the Global Fund should invest in activities to help health systems to overcome constraints to the achievement of improved outcomes from grants. Studies on HSS could help provide a better basis of information but there was no consensus in the PSC on supplementing salaries in the public sector as part of this approach. It was agreed that the PSC should come back to the next Board meeting with recommendations covering whether to establish a separate HSS component for proposals; the appropriate parameters for allowable HSS activities; the possible use and nature of continuity for applying for HSS funding; and the possible use and nature of ceilings for HSS funding.

5. In discussion, a number of delegates highlighted the importance of involving WHO in a dialogue on the issue of HSS and drawing on that organization's expertise to address the concrete points which the PSC had raised. There was broad support for the PSC and the Portfolio Committee (PC) to work hand-in-hand on this issue as there were both strategic and practical considerations which would need to be addressed. The Chair of the PSC then introduced the item on alignment and harmonization of program funding. Strategic changes to promote alignment would make sure that Global Fund systems and processes match those at the national level, such as government budget cycles, to take one example. Harmonization would ensure that Global Fund programs sit comfortably within the landscape of other international efforts, neither duplicating nor complicating the work at country level. There were three functional areas for discussion: the process by which applications were received; accountability – making sure there was requisite and sufficient oversight, both on the spending of money and on monitoring and evaluation; and making sure decisions around investments are responding to performance. One innovation to achieve greater alignment and harmonization would be to make facilities available for funding national strategy proposals.

6. In discussion, a delegate pointed out that accepting national strategy proposals would add a fourth avenue for requesting funding, adding to the existing system of Rounds, Phase 2 and the RCC. There was broad support from delegates concerning the principle of funding national strategy proposals but concern was expressed that this should not lead to any crowding out of funding for malaria and TB since far more national strategies currently exist for HIV/AIDS. Consultations on this issue should include members of civil society and the PSC would come back to the next Board meeting with specific recommendations on the funding of national strategy proposals.

7. The final recommendation from the PSC, to ensure that performance-based funding operates in an aligned and harmonized manner, covers the issue of the

degree of operational flexibility given to the Secretariat in implementing Board decisions and, in particular, the timing and performance period of the Phase 2 review.

8. In discussion, it was observed that performance-based funding required a certain time over which performance needed to be assessed and this was unlikely to be less than 18 months. Allowing more flexibility, therefore, probably meant giving a bit more time for good performance to emerge in practice.

9. It was important that the right things be funded and that the funding portfolio should be balanced but there were questions about how the right balance should be defined. The current model of demand-driven and country-led funding has produced a balanced portfolio.

10. A delegate asked whether the Global Fund portfolio was also balanced from a regional perspective, given that in some regions, such as Latin America and the Caribbean, resources from the Global Fund amounted to less than half of the total. In reply, it was pointed out the PSC had not addressed questions of eligibility but had concentrated on looking at whether the portfolio was balanced between prevention, treatment and care. The resources from the Global Fund were additional resources so it was important to keep in perspective the situation pertaining to countries as a whole.

11. At the previous Board meeting it had been accepted that it would be prudent for the Global Fund to have a policy on the confidentiality of executive session recordings. It was proposed that the option of not recording executive sessions should be specifically provided for in the Documents Policy and that a clear chain of custody and policy for access to recordings be established.

12. The Chair of the Technical Evaluation Reference Group (TERG), Professor Dr Rolf Korte, was then invited to give a presentation covering two items: the LFA review and the Global Fund Five-Year Evaluation. Concerning the LFA review, the most urgent recommendations relate to gap verification and documentation. It was felt by the TERG, following site visits to five countries and a web-based survey of all LFAs and Principle Recipients (PRs), that terms of reference for LFAs should specify acceptable standards and how they will be met. There was obviously an urgent need to improve the LFA model, however at present there was no evidence that the model could not work.

13. The Vice Chair of the TERG, Professor Dr Rose Leke, gave an update on progress on the Five-Year Evaluation. The contract had been signed in April and following consultations, 25 countries had been selected for participation in the Five-Year Evaluation, 20 countries in the impact study (area 3) and 16 for partnerships and grant performance, with a fair overall regional distribution. An initial report will be presented at the Sixteenth Board Meeting consisting of about eight countries, followed by an interim report on Study Area 3 for August 2008, with the final synthesis report on all three study areas ready in November 2008.

14. The session ended for the day and resumed the following day after the Election of the Chair and Vice Chair.

15. In discussion of the TERG report which was presented the previous day, delegates noted that the excellent work of the TERG would be factored into other discussions, including those relating to LFAs, which were also a subject of examination in the Portfolio Committee. The PSC Chair highlighted that the time has come to either extend the terms of reference for the TERG or to extend its membership. To recruit for current vacancies, two more members can be nominated. For continuity, it's best that the Chair of the TERG be involved in choosing colleagues with which to work. A decision point that included three changes to the TERG Terms of Reference was passed.

16. The PSC Chair stated that the discussion of the size of the Global Fund was close to conclusion. Text had been worked out, which was circulated to the rest of the Board by the Secretariat. The PSC Chair requested a consultation on the text be held during the coffee break, to which the rest of the Board agreed.

17. On the role of civil society, there was now evidence that programs with multiple PRs work well, creating a healthy competition which speeds implementation and overcomes bottlenecks. Countries should therefore be encouraged to make applications involving multiple PRs. Civil society also had an important role to play in HSS and could represent the more vulnerable populations in CCMs.

18. In discussion, it was widely recognized by a number of delegates that scaling up required the involvement of all stakeholders, including civil society and the private sector. Where capacity in civil society was lacking, recommendations for involvement from the Board could help in building that capacity.

19. Delegates raised questions concerning the continuation of CCM funding and the importance of human resources in healthcare. It was recognized that a definition of civil society was necessary. On dual-track financing, it was important to insist on three conditions: respect for harmonization; limiting additional management costs; and continuing the conditional voluntary approach.

20. A set of guiding principles had been drawn up concerning market dynamics and pooled procurement. This was a priority issue to be tackled as more than 50 percent of Global Fund resources go to buy health products and procurement is the number one bottleneck.

21. In discussion, the point was made that this decision did not constitute a new policy but rather a refinement of an existing policy. Procurement was a major challenge that needed to be addressed. Some delegates expressed concern that the Global Fund should not move away from its role of a financial instrument and become an implementer. Consultations should take place with other partner organizations and where problems were identified, these could be addressed by capacity building.

22. A lengthy discussion followed on a number of proposed amendments to the decision point on pooled procurement.

23. The delegate from Japan read the following statement for the record: What is important is that essential health products are delivered to those people who need them at a competitive price, with assured quality and in a sustainable manner. In this regard, we should constantly strive to improve the procurement process. The strengthening of the Price Reporting Mechanism and creation of a pooled procurement system are important steps toward that goal and Japan welcomes the decision point. To maximize the effectiveness of the Global Fund's pooled procurement system, the Global Fund should focus on areas where its comparative advantage exists. On those areas where the Global Fund has no comparative advantage, other existing mechanisms with comparative advantage should be used, one such example could be the Global Drug Facility for first-line TB drugs. The Price Reporting Mechanism and its strengthening are imperative to improving procurement and, we request the Secretariat and relevant stakeholders to collaborate to implement the decision point. The Secretariat should utilize the PRM and monitor closely the procurement situation. Whenever grants are facing difficulties or problems in terms of procurement, the Secretariat should suggest ways to improve and rectify it and, when necessary, report to the Board for transparency. If the PRM proves to be ineffective, and we see little improvement in the procurement process, the Board should come back to this point, where we may propose further improvement measures to ensure that this decision becomes really effective.

24. The decision point was passed as amended.

25. After the coffee break, a decision point on the size of the Global Fund was read by the Board Chair and was immediately adopted by the Board.

26. A presentation on UNITAID was made to the Board. Memoranda of Understanding had been drawn up. The next priority was to prepare a road map for cooperation between UNITAID and the Global Fund, such that the comparative advantage of each organization is maximized and duplication of effort avoided. Work would start following this Board meeting with a report to be presented at the Board's Sixteenth Meeting in November.

27. The RCC was now operational and processes had been put in place to determine which grants would be eligible for RCC consideration. The qualifications panel had reviewed the first wave of grants where the acceptance rate had been 22 percent, in line with Board expectations. However, the original Board decision on RCC did not provide specific guidance on the inclusion of three- and four-year grants. RCC qualification for three- and four-year grants poses particular challenges as they would have to be qualified using mainly Phase 1 data and "impact" is difficult to assess early in a grant's life cycle.

28. Recognizing the issues outlined above, the PSC recommended excluding three- and four-year grants from the RCC in the long term. As an interim measure, the PSC recommended including three- and four-year grants from Rounds 1 to 3 only.

29. The PSC also suggested several amendments to the Board Operating Procedures to bring RCC decision-making procedures in line with those already used for Phase 2. A decision point outlining these procedures was passed without discussion.

Decision Point GF/B15/DP5

The Board adopts the Resource Mobilization Strategy contained in the Report of the Policy and Strategy Committee (GF/B15/6), Annex 3, which is based on the recommendation of the Task Team on Resource Mobilization, and commits, where possible, to assisting the Secretariat in executing the strategy to achieve the agreed targets.

The Board requests the Finance and Audit Committee (FAC) to actively monitor the progress against the targets, as stated in the strategy, expected to be achieved as a result of the significant budgetary increase. First year progress against these targets should be fully reviewed by the FAC prior to the Eighteenth Board meeting. Further budget recommendations to support resource mobilization efforts will be presented at the Eighteenth Board meeting dependant on the performance review.

The material budgetary implications of this decision amount to US\$ 5,332,772 in 2007, which includes an allocation for 18.5 positions in 2007¹.

¹The details of this supplementary budget for 2007 and the implications of this for 2008 were presented to the FAC and endorsed by that committee. Further information is available in the Report of the FAC (GF/B15/8).

Decision Point GF/B15/DP6

The Board refers to the Framework Document of the Global Fund, which states that the Global Fund will support programs that "address the three diseases in ways that will contribute to

strengthening health systems,” and “the Fund will support proposals which ... support the substantial scaling up and increased coverage of proven and effective interventions, which strengthen systems for working: within the health sector; across government departments; and with communities.” The Board reaffirms the importance of strong public and private health systems to accomplishing the Global Fund’s mission to mitigate the impact of HIV/AIDS, tuberculosis and malaria in countries in need. The Board also recognizes that health systems capacity constraints have proven to be significant bottlenecks to Global Fund grant implementation, and that the Global Fund has, since its inception, provided significant support to a broad range of activities to strengthen health systems.

The Board decides that the Global Fund, as a financing instrument, should continue to support the strengthening of public and private health systems, and reaffirms its strategic approach in this regard, which consists of investing in activities to help health systems overcome constraints to the achievement of improved outcomes in reducing the burden of HIV/AIDS, tuberculosis and malaria. The Board also recognizes that the Global Fund is not the sole, or even primary, financier of such activities, and close coordination in strategic direction and implementation at the country level in this area is essential.

With this approach in mind, the Board asks the Policy and Strategy Committee (PSC) to consider the following issues, and, in coordination with the Portfolio Committee, make recommendations to the Board for decision at its Sixteenth Meeting:

- Whether the Board should continue to fund “Health-Systems Strengthening” (HSS) interventions exclusively within disease components or, in addition, establish a separate HSS component for proposals to the Global Fund;**
- The appropriate parameters for allowable HSS activities;**
- The possible use and nature of conditionality for applying for HSS funding; and**
- The possible use and nature of ceilings for HSS funding.**

The Board requests the World Health Organization to identify or convene a suitable forum before the Sixteenth Board meeting to provide input on HSS as related to the Global Fund and other partners, taking into account the work already done by the Portfolio Committee.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP7

The Board reaffirms its commitment to the principles of alignment and harmonization – in particular to further alignment of the Global Fund with national strategies, systems, and structures, and further harmonization with the procedures of international partners, as a means to achieving increased impact.

To provide greater support for country programs, the Board decides, in principle, to establish new procedures that will allow applicants to submit national strategies for HIV/AIDS, tuberculosis or malaria for Global Fund financing under conditions that differ in some respects from existing application requirements (“National-Strategy Applications”).

The Board endorses the following principles for National-Strategy Applications¹:

- **National-Strategy Applications must be based on inclusive, costed, comprehensive and prioritized national strategies (which include a workplan and budget) that have undergone a rigorous technical certification by an independent review mechanism (“IRM”)²;**
- **National-Strategy Applications shall comprise the certified national strategy and minimal additional information, which should include a specification of financial contributions to the national strategy received from existing sources, the amount of funding requested from the Global Fund, and the results to which this funding is expected to contribute;**
- **The IRM that certifies national strategies shall meet certain conditions – to be defined and endorsed by the Board at a later stage – such as appropriate technical expertise and the capacity to carry out certifications functions rapidly, efficiently and transparently;**
- **The IRM shall assess the technical soundness and feasibility of national strategies based on rigorous criteria that will be developed jointly with relevant partners, so the outcome of the certification is useful beyond the Global Fund’s own specific needs. The Global Fund shall contribute to the development of the criteria the standards the Board requires for the certification to fulfill the Global Fund’s core principles, including but not limited to programmatic and financial accountability; and**
- **The implementation of National-Strategy Applications should be consistent with the core principles of the Global Fund, including performance-based funding, financial and programmatic accountability, and additionality.**

The Board requests the Policy and Strategy Committee to recommend to the Board for approval at its Sixteenth meeting a plan and policies for bringing into operation a National-Strategy Applications procedure, based on the principles set forth in this decision. Such recommendations shall also address the role of Country Coordinating Mechanisms and the Technical Review Panel, the inclusion of non-governmental entities in the National-Strategy Applications process, and the possibility of more frequent funding decisions for National-Strategy Applications, which the Board believes could provide benefits in terms of alignment and harmonization. The Policy and Strategy Committee shall also identify any modifications to existing Global Fund policies that would be necessary in order to bring into operation the National-Strategy Applications procedure.

In the spirit of the underlying principles of the Global Task Team and the Paris Declaration, the Board calls upon all partners to develop a shared certification approach for national strategies and to allow, where relevant, the use of certified strategies as the basis for applications for funding.

There are no material budgetary implications for this decision.

¹*In addition, the existing country eligibility requirements for Global Fund proposals shall also apply to National-Strategy Applications.*

²*There could be a single IRM for all diseases, or different IRMs for each disease. Also, depending on how an IRM is constituted, it could review national strategies for the entire health sector (which include sub-strategies for specific diseases), or only for one or more of the three diseases relevant to the Global Fund.*

Decision Point GF/B15/DP8

The Board reaffirms its commitment to the principles of alignment and harmonization – in particular to further alignment of the Global Fund with national strategies, systems, and structures, and further harmonization with the procedures of international partners, as a means to achieving increased impact.

The Board recognizes that there is much flexibility in the current policy framework of the Global Fund that can and should be further exercised to enable increased alignment and harmonization. Thus, the Board encourages the Secretariat, Country Coordinating Mechanisms (CCMs)¹ and Principal Recipients to communicate and fully exercise – as relevant and appropriate – these existing flexibilities.

In addition, the Board decides, in principle, to allow CCMs to request greater flexibility, for grants to operate in alignment with the implementation of national programs, in the timing of, and the performance period covered by, the Phase-2 review, for the purpose of enabling greater alignment with national cycles and harmonization with other donors' evaluation efforts. The Secretariat shall only allow this flexibility where relevant and appropriate, based on a set of conditions to be determined and agreed by the Board. The Board shall vote on any requests for bridge funding in cases in which such funding would be necessary to avoid interruption of program activities prior to the beginning of Phase 2. The Board requests the Portfolio Committee to propose appropriate modifications to existing Board policies to enable the Secretariat to exercise this flexibility, including by specifying the conditions under which the Board would allow CCMs to request this flexibility and the specific timing parameters for the Phase-2 review, and to present these to the Board for approval at its Sixteenth Meeting.

There are no material budgetary implications for this decision.

¹*All references to a Country Coordinating Mechanism (CCM) include – in addition to a Country Coordinating Mechanism – a Sub-National CCM and a Regional Coordination Mechanism, and in the case of a non-CCM proposal a grant applicant.*

Decision Point GF/B15/DP9

The Board requests the Secretariat to provide an analysis of the Global Fund's grant portfolio at the Board's first meeting of each

calendar year, as part of the Secretariat's yearly reporting to the Board on the core set of Performance Indicators for the Global Fund.¹

This analysis shall include, for example, where feasible and available in recipient country systems, elements such as value for money of Global Fund-financed interventions, the quality of treatment, prevention and care interventions provided through Global Fund-supported programs, the balance of interventions within each disease, the integration of relevant scientific innovations, and gender.

The budgetary implications of this decision in 2007 are estimated to be US\$ 117,000, which includes an allocation for 1.5 positions in 2007.

¹Decision Point GF/B14/DP16.

Decision Point GF/B15/DP10

The Board approves the amendments to the Global Fund Documents Policy, as presented in the Report of the Policy and Strategy Committee (GF/B15/6), Annex 4.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP13

The Board approves the following amendments to paragraph 6 of the Terms of Reference, Membership and Procedures of the Technical Evaluation Reference Group approved at the Tenth Board Meeting (GF/B10/8, Annex 8):

6. Each Board member of the Global Fund may nominate candidates who match the profile and qualifications defined in paragraph 7 (up to 4 candidates per board member). The names of candidates will be submitted to the Policy and Strategy Committee with the appropriate information and documentation through the Secretariat. The PS Committee with the support of the Fund Secretariat, will recommend a proposed list of appointees to the selection committee which is comprised of the Chair or Vice Chair of the PS Committee, the Chair of the TERG, the Committee M&E focal point and the Executive Director of the Global Fund or his/her designee. The final proposed list will be forwarded to the Board of the Global Fund for decision. The confirmed appointees will be invited to become members of the TERG by the Executive Director of the Global Fund. The M&E focal point member of the PS committee as well as the chairs of the monitoring and evaluation reference panels of UNAIDS, Roll Back Malaria, and Stop TB shall be ex-officio members of the TERG. In addition to the regular TERG membership, additional experts may be invited to participate as the need arises.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP14

The Board believes that civil society and the private sector can, and should, play a critical role at all levels of the architecture and

within every step of the processes of the Global Fund, at both the institutional and country levels. This includes their critical roles in the development of policy and strategy and in resource mobilization at the Global Fund Board level, and in the development of proposals and the implementation and oversight of grants at the country level. The Board further expresses its desire for strengthened and scaled-up civil-society and private-sector involvement at both the country and Board levels, while recognizing the respective strengths and roles of the two sectors.

With this goal in mind -- and also reaffirming the importance of effective Country Coordinating Mechanisms (CCMs)¹ in ensuring strong country-level development of proposals and oversight of grants – the Board recognizes the need to further enable civil society and the private sector to play their critical roles, facilitated by the following:

- ***The routine inclusion, in proposals for Global Fund financing, of both government and non-government Principal Recipients (PRs) for Global Fund grants (“dual-track financing”). The Board recommends the submission of proposals with both government and non-government PRs. If a proposal does not include both government and non-government PRs, it should contain an explanation of the reason for this;***
- ***The routine inclusion, in proposals for Global Fund financing, of requests for funding of relevant measures to strengthen the community systems necessary for the effective implementation of Global Fund grants;***
- ***The effective representation and meaningful participation of vulnerable groups (as defined in the context of each particular country) on CCMs; and***
- ***Simplified CCM access to funding to support their effective administrative functioning, for the life of a grant that the CCM is overseeing when needed, and increased transparency by CCMs about how they plan to ensure access by civil society to such funding.***

The Board requests the Secretariat to take the necessary actions and collaborate with partners to achieve the above outcomes, working with the relevant Board committee(s), where necessary.

In particular, the Board requests the Policy and Strategy Committee to agree on a suitable definition of the term “civil society”, by building on existing work to that effect.

In addition, the Board requests the Portfolio Committee (PC) to do the following:

- ***Modify future proposal forms and guidelines (starting with those for Round 8) to encourage the use of dual-track financing and the inclusion of funding requests for strengthening community systems in proposals;***
- ***Propose means to increase the representation of vulnerable groups on CCMs, such as by revising the***

relevant, current recommendation on the composition of CCMs;

- *Propose guidance to CCMs regarding types of civil-society and private-sector representatives that could be most relevant to the work of CCMs;*
- *Propose appropriate modifications to the policy or guidance on the funding for CCM activities;*
- *Propose guidance on increasing the capacity of the Technical Review Panel in the area of civil society and the private sector; and*
- *Report on progress at the Sixteenth Board Meeting.*

Regarding dual-track financing, the Board notes the following:

- *The possible benefits achieved through dual-track financing include increased absorption capacity (from taking full advantage of the implementation capacity of all domestic sectors, both governmental and non-governmental), accelerated implementation and performance of grants, and the strengthening of weaker sectors; and*
- *CCMs, PRs and the Secretariat should implement dual-track financing according to the following principles:*
 - *The implementation should be consistent with alignment and harmonization of efforts to fight the three diseases;*
 - *It should be consistent with national strategies to fight the three diseases, or there should be a justification stated when this is not the case;*
 - *It should seek to minimize transaction costs and demands on CCMs, PRs and the Secretariat;*
 - *It should apply equally the same expectations of accountability, transparency and responsibility to government and non-government PRs; and*
 - *It should seek to be consistent with national plans for human resources for health.*

The Board requests the Secretariat to consult with the Finance and Audit Committee to further analyze and refine the estimates of budgetary implications, including possible costs and savings, of this decision and report its findings to the Sixteenth Board Meeting.

Decision Point GF/B15/DP15

The Board refers to its decision at the Thirteenth Board Meeting (GF/B14/2, p. 13) to approve, in principle, the recommendation that the Global Fund facilitate the provision of voluntary pooled procurement for recipients of grants, subject to the development and Board approval of a suitable feasibility and business plan. It also refers to its decision at the Fourteenth Board meeting

(GF/B14/DP15) that the Global Fund assumes a deliberate and strategic role in improving the impact of grants by influencing market dynamics.

The Board adopts the Objective and Guiding Principles for the Global Fund's Market Dynamics Strategy, as set out in the Report of the Policy and Strategy Committee (GF/B15/6), as amended at the Fifteenth Board meeting.

The Board decides to endorse the following strategic model ("the Model") for voluntary pooled procurement, as a first element of its strategy on market dynamics, and notes additional elements to this strategy may follow.

- 1. The Secretariat shall rapidly strengthen its existing Price Reporting Mechanism ("PRM"), with the objective of enhancing the completeness and quality of self-reported data as an essential foundation of sound market dynamics and procurement practices, in particular, the Secretariat shall more strictly enforce compliance with the existing requirement that recipients report procurement information (including prices paid) for the relevant health products, and subject the data reported in the PRM to periodic audit by an external agent with appropriate qualifications.**
- 2. The Secretariat shall establish a pooled-purchasing service¹ (the "Pooled Service").**
 - i. The Pooled Service shall cover a set of target products and be operated by one or more global or regional procurement agent(s) (the "Procurement Agent") that the Secretariat shall select following a transparent, competitive tender process. The Secretariat shall direct the Procurement Agent to seek to award contracts for a given product to several suppliers, where possible and appropriate in view of considerations of market dynamics.**
 - ii. Participants in the Pooled Service must agree to have the Global Fund Trustee make direct payment to the Procurement Agent for purchases. The Procurement Agent will input in the PRM all required information in relation to purchases made through the Pooled Service.**
 - iii. Use of the Pooled Service shall be voluntary except for PRs that, in the determination of the Secretariat, have demonstrated inadequate capacity to procure effectively and efficiently, which the Secretariat, if appropriate, may in each case require to procure through the Pooled Service.**
- 3. The Secretariat shall enter into contracts with global, regional or national providers of**

procurement capacity-building services and supply-chain-management assistance (the “Capacity-Building Providers”), which it shall select following transparent, competitive tender processes. These services shall be available, on a voluntary basis, to any PR using the Pooled Service. In addition, to further support the development of the national capacity to conduct procurement effectively and efficiently, the Secretariat shall make available the services provided by the Capacity-Building Providers to other relevant entities in those countries with Global Fund grants whose PR procures through the Pooled Service (at their own cost).

Payment for services of the Procurement Agent pertaining to purchases made through the Pooled Service with funds provided by the Global Fund, and payment for services provided to PRs by the Capacity-Building Providers shall, if not otherwise covered by the relevant PRs, be made out of grant funds and not out of the Secretariat’s operating budget.

The Board delegates authority to the Secretariat to implement the Model, in conformity with the Guiding Principles for market dynamics, in a phased approach that shall initially cover a small number of target product categories, which the Secretariat shall select based on further, careful analysis, taking into account the Global Fund’s comparative advantage and the work already done by different partners.

The Board expects the Secretariat to refine the operational implementation of the Model based on lessons learned over time and other considerations, and to report back to the Policy and Strategy Committee on possible strategic refinements or revisions to the model (including the possible use of price ceilings and other incentives) that might prove helpful to better achieving the Objective in conformity with the Guiding Principles.

The Board also requests the Secretariat to report on progress at the Sixteenth Board Meeting. Noting the limited progress to date on improving the PRM, the Board specifically requests the Secretariat to include in its report an analysis of the status of the current PRM (including rates of, and challenges to, compliance by PRs) and specific measures taken to improve compliance with reporting requirements and the data reliability of the PRM.

The budgetary implications of this decision in 2007 are estimated to be US\$ 1.13 million, which includes an allocation for five positions in 2007.

¹**This Pooled Service will include, but not be limited to, the functions of demand aggregation; competitive, transparent, international tendering and negotiation with suppliers; order-taking and –processing; shipping to in-country central warehouses; and transfer of funds to suppliers.**

Decision Point GF/B15/DP16

The Board notes that UNAIDS, the Stop TB Partnership and Roll Back Malaria have estimated that the global resource needs regarding the three diseases are approximately US\$ 28-31 billion per year in 2008-2010.

The Board recognizes that adequate resources are critical in fighting the three diseases, and that contributions must come from several sources – national and international, multilateral and bilateral, governmental and non-governmental. The Board believes that, as a major financing mechanism for HIV/AIDS, tuberculosis and malaria, the Global Fund has a critical role to play in this effort. The Board also recognizes that some funders provide significant resources through other channels.

The Global Fund's 2007 Resource Needs report currently projects a level of demand to the Global Fund of US\$ 6 billion per year in 2010, which would represent a tripling in the size of the Global Fund.

The Board recognizes that, if its partners and stakeholders in developed and developing countries scale up their efforts to strengthen and improve the quality of demand from country partnerships, such demand could potentially reach the level of US\$ 8 billion by 2010. Meeting concrete expressions of demand in the above range will require major, additional resource mobilization from public and private sources, and innovative financing mechanisms. The Board, therefore, also calls on its partners, stakeholders and the Secretariat to take concrete steps to encourage demand at these levels, and to work with the Board and Secretariat to mobilize the resources necessary to meet increased demand expressed in the submission of quality proposals to the Global Fund.

The Board further acknowledges that reaching the target will require continued demonstration of good performance, effectiveness and rapid disbursement by the Global Fund and its grantees.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP17

The Board refers to its decision (GF/B14/DP23) to request the Policy and Strategy Committee (PSC) to work with the Secretariat and the Finance and Audit Committee (FAC) to develop a roadmap for future collaboration with the UNITAID Board and Secretariat, and present it for approval by the Board at its Fifteenth Meeting. The Board notes that it was not possible for the PSC to present such a roadmap at the Fifteenth Board Meeting, for a number of reasons explained in the Report of the PSC (GF/B15/6), and requests the PSC¹ to continue to work with the Secretariat and the FAC to develop the roadmap with UNITAID, with a view to presenting it for approval by the Board at its Sixteenth Meeting.

The budgetary implications of this decision in 2007 are estimated to be US\$153,227, which includes an allocation for 0.6 of a position for the remainder of 2007.

¹The PSC has established a working group which will ensure its ongoing involvement in the development of the roadmap and which also includes a representative of the FAC.

Decision Point GF/B15/DP18

The Board decides that grants from the fourth and subsequent Rounds that have a term of less than five years shall be ineligible for qualification for the Rolling Continuation Channel. The Board and Secretariat will communicate with Country Coordinating Mechanisms¹ in a timely manner regarding this policy.

There are no material budgetary implications for this decision.

¹The reference to a Country Coordinating Mechanism (CCM) includes – in addition to a Country Coordinating Mechanism – a Sub-National CCM, and a Regional Coordinating Mechanism, and in the case of a non-CCM proposal, a grant applicant.

Decision Point GF/B15/DP19

The Board has approved the establishment of a funding channel (the “Rolling Continuation Channel” or “RCC”)¹ that provides an opportunity for Country Coordinating Mechanisms (“CCM”)² to apply for continued funding for high-performing 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 Board approves the following procedure for the Board to make funding decisions for proposals submitted under the Rolling Continuation Channel that the Secretariat has qualified as eligible for the RCC.

- 1. The Board will consider proposals for RCC funding not more than once every three months, unless the Secretariat determines it is necessary because of exceptional circumstances to present a recommendation to the Board more frequently.**
- 2. The Board will make funding decisions for proposals for RCC funding based on the recommendations of the Technical Review Panel (“TRP”), which will take into account performance data provided by the Secretariat. The TRP will make recommendations to the Board for funding of RCC proposals in accordance with the Terms of Reference of the TRP.**
- 3. The Secretariat will post the TRP’s recommendations and supporting documents on the Global Fund website with password protection, will inform Board constituencies via e-mail when it has posted these recommendations, and will provide to them a voting form that will list the recommendations. Notice to Board constituencies of the vote on the TRP’s recommendations will be effective upon the transmission of the voting form. For the purposes of Article 7.6 of the By-laws, all Board members will be**

deemed to be participating in the vote when such notice becomes effective.

- 4. The Board will vote on the TRP recommendations on RCC funding by e-mail on a “no-objection” basis, in accordance with Section 12 of the Board Operating Procedures and Article 7.6 of the By-laws. Consistent with Board practice for funding decisions made under the rounds-based channel, the Board will consider the totality of the TRP’s recommendations.*
- 5. However, if a Board member objects to an individual recommendation from the TRP, he or she will provide to the Secretariat a written explanation of the reasons for such objection. The Secretariat will then promptly make available such explanation to all other Board members and the TRP.*
- 6. For the purposes of Section 12 of the Board Operating Procedures, the time period within which the Secretariat must receive objections in order for them to be counted is ten (10) calendar days after notice of the vote is effective.*
- 7. If the Board approves the TRP recommendations, that decision will constitute an approval of the entire term of each RCC proposal recommended for funding by the TRP, with a financial commitment for the initial three (3) years of the RCC proposal, with funding for the second phase subject to the approval of the Board based on a mid-term performance review.*
- 8. If the Board decides not to approve a TRP recommendation, the decision-making process that applies following a Board objection to a TRP recommendation under the Phase-2 Decision-Making Policies and Procedures³, as amended from time to time⁴, will be followed.*
- 9. Funding recommendations with respect to RCC proposals that have successfully been appealed, in accordance with the Global Fund’s Rules and Procedures for Appeals, will come before the Board for decision, in accordance with such Rules and Procedures for Appeals.*

There are no material budgetary implications for this decision.

¹See decision GF/B14/DP9 (“Establishment of the Rolling Continuation Channel”).

²In this procedure, all references to a CCM include – 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.

³See Phase 2 Decision-Making Policies and Procedures, approved by Board Decision GF/B14/DP27.

⁴For this purpose, references in the Phase 2 Decision-Making Policies and Procedures to ‘Go’, ‘Conditional Go’, and ‘No Go’ recommendations will be construed as references to the nearest equivalent recommendation to fund or not to fund under the TRP’s Terms of Reference for review of RCC proposals.

Decision Point GF/B15/DP20

To allow RCC funding decisions to be made on a ‘no-objection’ basis, the Board amends Section 12 of the Board Operating Procedures as follows:

“12. No-Objection Process for Approving Funding for Proposals beyond the Initial Funding Commitment

Notwithstanding Sections 10 and 11, decisions by the Board to provide funding for approved proposals beyond the initial funding commitment or for proposals requesting continued funding for grants that are reaching the end of their funding terms may be made on a no-objection basis under the following process.

As directed by the Board, the Secretariat shall issue a request recommendation for decision action on each funding commitment for which a Board decision is required, and shall notify the Board accordingly. Unless four Board members of one of the voting groups described in Section 10 object to the requested decision recommendation within a time period specified by the Board following the date of notification, the requested decision recommendation shall be deemed approved by the Board.”

There are no material budgetary implications for this decision.

Agenda Item 7: Election of Chair and Vice-Chair

1. Mr Rajat Gupta from the Private Sector Delegation was nominated for the position of Chair of the Global Fund by the Delegation of Japan and seconded by the Delegation of East and Southern Africa. There being no other nominations, Mr Gupta was duly elected as Chair of the Global Fund Board.

2. Ms Elizabeth Mataka from the Developing Country NGOs Delegation was nominated for the position of Vice-Chair by the Communities Delegation and seconded by the Latin American and the Caribbean Delegation. There being no other nominations, Ms Mataka was duly elected as Vice-Chair of the Global Fund Board.

3. The new Vice-Chair thanked the Board for its confidence and for embracing her candidature. She committed to work toward creating an environment where civil society, the private sector, foundations, and governments work together to enable countries to take advantage of emerging opportunities being created by the Board. She also pointed out her deep understanding of the burden that women bear in coping with the daily struggle for survival in the face of poverty, violence, disease, and all manner of disadvantage. Because of this, she is resolved to work toward gender equality, elimination of violence against women and children and universal sexual and reproductive health rights during her tenure as Vice-Chair.

4. The new Chair thanked the Board for the confidence it had shown in him by electing someone from outside of the public and health care sectors. He recognized the tremendous job that had been done by the outgoing team of Chair and Vice-Chair in getting the Global Fund off to a great start. He highlighted resource mobilization and advocacy as major responsibilities during his tenure as Chair and stated that he felt he could provide added value in these roles. He also stated that he views

clarification of roles between the Board, Chair of the Board, Vice-Chair of the Board, and the Executive Director as one of his major responsibilities.

5. Dr Peter Piot, Executive Director of UNAIDS, congratulated the new leadership of the Global Fund, as did the Director General of WHO, Dr Margaret Chan and both organizations stated that they would continue to give their unrestricted support to the Global Fund. The Executive Director added his welcome to the new Chair and Vice-Chair and recognized the presence of the executive leadership of both WHO and UNAIDS a clear proof of their high level of commitment.

Decision Point GF/B15/DP11

Mr Rajat Gupta of the Private Sector constituency is elected as Chair of the Board for the period commencing upon the adjournment of the Fifteenth Board meeting until the adjournment of the first Board meeting of 2009.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP12

Ms Elizabeth Mataka of the Developing Country NGO constituency is elected as Vice Chair of the Board for the period commencing upon the adjournment of the Fifteenth Board meeting until the adjournment of the first Board meeting of 2009.

There are no material budgetary implications for this decision.

Agenda Item 8: Report of the Finance and Audit Committee

1. A synopsis of the discussion on the Report of the IG, which had been heard in executive session, was given to the Board. A presentation was then given to the Board outlining a disclosure policy for reports from the Office of the IG.

2. It was stated that a disclosure policy would have to take into account a complex environment of legal considerations as well as the impact disclosure might have on others, individuals and organizations alike. Disclosure also had to be assessed in light of who would be receiving the information: the Board has a right to know all the details, but good reasons would be needed to make a full public disclosure, for example.

3. Consultants, working closely with the IG, have drawn up a detailed Global Fund assurance framework as a basis for discussion. A very tight deadline for the recruitment of a new IG was also set. It was important to define clearly the manner in which the position of IG would function, covering both internal audits and investigations and calling on external forensic auditors where necessary.

4. A further point to be decided concerned the reporting lines that the new IG would follow in relation to the Board, Secretariat management and the Secretariat as a whole. It was decided that the IG would be responsible only to the Board, with the Board delegating some administrative functions to the Secretariat. It was essential for the IG to be a part of the Global Fund, yet with complete independence of action.

5. The Chief Financial Officer, Mr Barry Greene, gave a presentation on budget performance for 2006, which at US\$ 10.6 million was 12 percent below the estimate, with operating expenses fully covered by investment income. In looking at the underspend, Secretariat expenses were 21 percent less than budgeted due largely to newly hired staff starting later than planned.
6. On Key Performance Indicators (KPIs), out of 15 in total, seven were achieved at 100 percent or more and three at 90 percent.
7. Audited statements were received from Ernst & Young, which the FAC recommended for approval by the Board. A clarification was given in response to a question on the difficulty of reconciling Global Fund staff payments within the WHO payroll system.
8. The FAC had been asked to develop a budgeting framework to guide the Secretariat which would take into account the results of an external evaluation launched by the new Executive Director. Initial results would be available in early autumn and so the new framework would assist in drawing up the budget for 2008 and fully drive it for 2009.
9. In discussion, it was asked whether it would be possible to clarify the relationship between the established annual budget and the budgetary implications of Board decisions.
10. Amendments to budgetary policy were also proposed following the establishment of the RCC. It was then reported that the FAC had made a detailed review of the Credit Suisse account and received a briefing on investment income, which at 4.54 percent in 2006 was considerably more than in 2005.
11. The previous Board meeting had instructed the Secretariat to carry out the necessary analysis for transitioning out of the Administrative Services Agreement with WHO. Consultants had been engaged to assist in the collection of data, costs and timeline. Discussions had been held concerning pensions and the HQ agreement. Staff had also been consulted.
12. Issues which had been resolved included insurance and tax equalization. Those that were still outstanding were the pension scheme, (the costs associated with leaving the UN Joint Staff Pension Fund or the conditions to remain within it), the UN Laissez-Passez (UNLP) and administrative systems with the attendant impact on IT. More work needed to be done on these points before a comprehensive package of options could be put before the Board. Other initiatives were discussed in the broader context of UN reform and modernization, such as ideas for a business park for international partnerships which had been raised by Switzerland and Norway, although it was pointed out in discussion that in the Norwegian case, this was not an official government position.
13. The Executive Director signalled his sensitivity to this very important challenge for the organization and in particular the need to fully involve staff representatives in the process. The president of the Global Fund Staff Council explained that the staff were nervous about the issue and requested that the Staff Council be fully involved in the process, and informed and consulted on changes which would have a large and direct impact on the working conditions of Global Fund staff.
14. In discussion, a delegate stated that it was vital for management to improve consultations with the staff. The risks of staying with the current arrangement of dual governance needed to be spelled out as did the real benefits of the UNLP, particularly where these could not be secured by a travel management package. Concerns were expressed about the length of time that the process was taking and that a target should be set for making a decision at the next Board meeting in November 2007.

15. In relation to resource mobilization, the Director of External Relations reported on the Second Replenishment process where a first meeting had taken place in Oslo to be followed by another in September in Berlin. Donors agreed to ambitious but realistic funding targets and welcomed the discussions on the size of the Global Fund. About US\$ 0.6 billion was currently available for Round 7 but further contributions were required.
16. It was now recognized that the Global Fund needed a policy on restricted contributions, as growing opportunities were arising. The FAC had drawn up some guiding principles in order to accommodate restrictions from the private sector or nominated public mechanisms. However, restrictions could not be accepted on the majority of funding coming from public sources, including Official Development Assistance (ODA).
17. In discussion it was stressed that targeted contributions should go through the Global Fund financial system.
18. The Director of External Relations introduced the ongoing discussions with UNITAID and stated that a roadmap will be developed to assist Global Fund decision-making. The scope of the roadmap will include some flexibility, which may include direct payments to procurement.
19. "Debt2Health," a new initiative designed to convert bilateral debt into financing for well-performing grants, was presented to the Board. Debt conversion is a mechanism whereby a creditor or a group of creditors agrees to cancel a portion of a country's debt on the condition that the beneficiary invests an agreed-upon amount in a Global Fund-approved program. Once a Debt2Health agreement is reached, the beneficiary country deposits the agreed upon counterpart funds with the Global Fund for restricted use in that country. In turn, the creditor cancels the debt agreed for conversion. Debt2Health funds are subject to Global Fund policies and are disbursed based on the normal grant-management procedures in approved Global Fund programs. A pilot phase was envisaged with four countries based on a number of criteria, including the involvement of civil society.
20. In discussion, support was expressed for this initiative, which had been pioneered as an innovative financing technique by a few countries over a number of years. What was new was the directing of resources uniquely to public health via a multilateral organization. Vigilance was needed however to ensure there was no double counting with ODA contributions.
21. A final point concerned the development of a policy on product and service contributions. A steering group and a technical working party had been established but progress was proving difficult.

Decision Point GF/B15/DP21

During the First Special Board Meeting in February 2007, the Board requested that the Inspector General ad interim conduct an independent analysis of the remaining issues raised by the Inspector General's Report on the Credit Suisse Bank Account and the Management Response to the OIG Report on the Audit of Credit Suisse Bank Account Transactions, and advise the Board whether further action is required. In addition, the Board requested that Deloitte & Touche complete the draft Review of the Office of the Inspector General (the "Deloitte Report"). The Board has received the report of ORNA Corporate Integrity AG, retained by the Inspector General ad interim to conduct the requested independent analysis, and the Deloitte Report.

The Board notes with approval the conclusions of the ORNA Report that no fraud or misappropriation of funds occurred. It is satisfied that this report provides the review, analysis and conclusions necessary to bring this matter to a close. The Board requests the Inspector General ad interim to prepare a comprehensive account (including, as appropriate, original documents) of the findings and recommendations of the Deloitte Report, the OIG Report, the Management Response, and the ORNA Report. The comprehensive account should be drafted with the expectation that it be released publicly, in consultation with the Chair and Vice Chair of the Board and the Executive Director, not later than May 31, 2007. The Board requests the Secretariat to prepare a response to the recommendations in the ORNA Report and report to the Finance and Audit Committee on its response to, and implementation of, these recommendations.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP22

The Board notes the initial work undertaken by the Finance and Audit Committee (FAC) to develop a policy for disclosure of reports issued by the Inspector General. The Board notes that the FAC has established a sub-group, composed of the World Bank delegate, the United States delegate and the Inspector General ad interim, supported by the Chief Financial Officer and the Legal Counsel, to continue development of the OIG disclosure policy, in consultation with Deloitte. The Board requests the FAC, after consultation with the Policy and Strategy Committee, to present its recommendations for the OIG disclosure policy to the Board for approval at the Sixteenth Board Meeting.

The Board decides that, prior to Board approval of such policy, the Chair, the Vice Chair and the Chair of the FAC, after consulting the Inspector General and the Legal Counsel, shall have the authority to determine public disclosure of OIG reports after they have been made available.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP23

The Board notes the work already conducted by the Finance and Audit Committee to develop an overall assurance framework for the Global Fund and acknowledges that such effort involves considerations that extend beyond the OIG. The Board requests that the Finance and Audit Committee continue to develop its recommendation for documenting the overall assurance framework of the Global Fund in consultation with the Policy and Strategy Committee, the Secretariat and the Inspector General for presentation to the Board for its approval at the Sixteenth Board Meeting.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP24

- a. ***The Board takes note of the options for sourcing candidates for the position of the Inspector General as described in the draft Action Plan for Recruitment of a New Inspector General (the “Draft Action Plan”) that is appended to the Report of the Finance and Audit Committee (GF/B15/8), Addendum 1, as Attachment 2, and decides to adopt a combination of option 1 and 2 as set out therein.***
- b. ***The Board approves, in principle, the process and responsibilities for selection of the new Inspector General set out in the draft Revised Action Plan, as modified and set forth in Attachment 3 to GF/B15/8 (addendum 1), and the desired role and personal competencies of the Inspector General that are listed in the draft Action Plan.***
- c. ***The Board decides to establish a Selection Panel to lead the recruitment process. The composition of the Selection Panel shall include two representatives of Board delegations, the Inspector General ad interim and an external advisor, supported by a member of the human resources staff of the Secretariat. The Chair and the Vice Chair of the Board shall appoint the two Board representatives and the external adviser to the Selection Panel. The Inspector General ad interim shall be the chair of the Selection Panel.***
- d. ***The Selection Panel shall be constituted not later than 11 May 2007. The Board requests that the Selection Panel take all necessary steps to agree a final action plan and an expeditious and appropriate timescale for the selection process and transmit them to the Board for information as soon as possible.***
- e. ***The Board decides to establish a special Sub-committee of the Board to interview not more than three candidates recommended as suitable by the Selection Panel and to select the new Inspector General from among these candidates. The Sub-committee shall consist of the Vice Chair of the Board and two other Board Members who have not participated in the Selection Panel. Notwithstanding Article 23 of the Board Operating Procedures, the Chair and the Vice Chair of the Board shall appoint the two Board Members of the Sub-committee. The Sub-committee shall notify the Board of its selection of the new Inspector General promptly after the selection has been made.***

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

Decision Point GF/B15/DP25

The Board takes note of the document entitled “Draft Options for Inspector General’s Reporting Lines” that is appended to the

Report of the Finance and Audit Committee (GF/B15/8) (Addendum 1) as Attachment 4, and adopts option 2 as set out in such report. The Board clarifies that the Inspector General will report independently and confidentially to the Board, while maintaining the administrative reporting line to the Executive Director.

The Board requests that the Inspector General Selection Panel (established by GF/B15/DP24) prepare appropriate revisions to the current Terms of Reference of the Inspector General and the OIG Charter to reflect this decision for presentation to the Finance and Audit Committee not later than 31 May 2007. The Board delegates to the Finance and Audit Committee the authority to approve the revised Terms of Reference of the Inspector General and the Office of the Inspector General Charter and requests that the Finance and Audit Committee notify the Board of the revised Terms of Reference of the Inspector General and the OIG Charter promptly after such approval.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP26

The Board approves the 2006 Financial Statements of the Global Fund which have been audited by Ernst & Young, attached as Annex 3 to the Report of the Finance and Audit Committee (GF/B15/8).

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP27

- 1. The Board approves the amendments to the Comprehensive Funding Policy, as amended at the Thirteenth Board Meeting, as presented in Annex 5 to the Report of the Finance and Audit Committee (GF/B15/8).**
- 2. The Board revokes the following decisions:**
 - a. The decisions made at the Seventh Board Meeting regarding prioritization of funding in resource-constrained environments (GF/B8/2 p. 13-14);**
 - b. The decision made at the Seventh Board meeting regarding the criteria for considering promissory notes on assets (GF/B8/2, p. 16, decision point 6); and**
 - c. The decision points 1 and 2 entitled "Phase 2 Funding" made at the Eighth Board Meeting regarding prioritization of Phase 2 funding (GF/B9/2 p. 9-10).**

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP28

- 1. The Board notes the progress made to date, and authorizes the Secretariat, under the oversight of the Finance and Audit**

Committee, to proceed with the negotiation and costing of the remaining alternative administrative arrangements as described in detail in the Report of the Finance and Audit Committee to the Fourteenth Board meeting (GF/B14/9).

- 2. The Board authorizes the Secretariat to pursue the most beneficial arrangement for providing pension services to the staff. The Board recognizes the need to provide support to these negotiations.**
- 3. The Board requests the FAC to present the final fully costed implementation plan for decision of the Board at the Sixteenth Board Meeting.**

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP29

1. Guiding Principles

The Board acknowledges the need to accommodate restricted financial contributions in order to fully realize the Global Fund's mission of mobilizing significant additional resources for the fight against AIDS, tuberculosis and malaria, and authorizes the Secretariat to mobilize and accept such contributions which represent additional new funding in accordance with the following guiding principles:

- a. Restricted financial contributions to the Global Fund shall be limited to those from private donors and a limited number of public mechanisms approved in advance by the Board for this purpose; the Global Fund shall not accommodate restrictions on contributions through Official Development Assistance, thereby ensuring that the majority of contributions to the Global Fund remain unrestricted.**
- b. Restricted financial contributions shall be used solely for the purpose of supporting grants approved by the Board and activities of the Secretariat in line with the recipient-driven, Board-determined priorities of the Global Fund; and**
- c. Restricted financial contributions shall not result in unreasonable transaction costs for the Global Fund, substantial changes to Global Fund systems and processes, or the responsibilities of the Trustee, or any deviation from Global Fund rules and procedures. The Secretariat shall maintain the accounting records necessary to record restrictions attached to contributions and to identify the expenditure that satisfies such restrictions.**

For these purposes "restricted financial contributions" (sometimes referred to as "targeted funding" or "earmarked

“funding”) has the meaning assigned by accounting standards applicable to contribution income, i.e. contributions which have been provided by a donor with specific restrictions on how they may be used by a recipient.

2. Restricted Financial Contributions for Grant Activities

The Board authorizes the Secretariat to mobilize and accept contributions which are restricted to broad categories of expenses such as by disease and region (e.g. AIDS grants in Africa), to specific grants and/or to the procurement of specific goods and services, provided that:

- a. such restricted financial contributions comply with the Guiding Principles outlined in paragraph 1 above;**
- b. such restricted financial contributions are made through the Global Fund;**
- c. the total amount of restricted financial contributions is less than the total sum of Global Fund financing committed to any grant or activity receiving restricted financial contributions, ensuring that the programmatic results of such grants or activities are attributable, not just to the restricted financial contributions, but to contributions from all Global Fund donors.**

3. Restricted Financial Contributions for Secretariat Activities

The Board authorizes the Secretariat to mobilize and accept restricted financial contributions for use to pay for Secretariat activities. Such restricted financial contributions may be made either directly to the Global Fund or to third parties in payment for liabilities of the Global Fund, provided that such contributions comply with the Guiding Principles outlined in paragraph 1 above.

4. Oversight

The Board requests the Secretariat to provide the Finance and Audit Committee with progress updates on the implementation of this Restricted Financial Contributions Policy, including (a) a report on the results of mobilizing restricted financial contributions and (b) identifications of new public mechanisms for inclusion in the Policy.

The Board delegates to the Finance and Audit Committee the authority to approve new public mechanisms proposed by the Secretariat for inclusion in the Restricted Financial Contributions Policy, and acknowledges UNITAID as the first such approved public mechanism.

The Board further requests the Finance and Audit Committee to consider new developments as they arise and to propose any changes to the Policy deemed appropriate by the Finance and Audit Committee for adoption by the Board.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP30

The Board acknowledges that, in developing a roadmap for future collaboration with UNITAID, the Policy and Strategy Committee, working together with the Secretariat and the Finance and Audit Committee, may consider the possibility of UNITAID providing direct funding to third party procurement mechanisms to support Global Fund grants. The Board notes that the roadmap, including the contribution structure and funds-flow mechanism, will be presented to the Board for its approval.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP31

- 1. The Board acknowledges the potential for additional resources for the Global Fund from debt conversions and authorizes the Secretariat to implement a two year pilot phase (2007-2009) of the Debt2Health mechanism in up to four beneficiary countries.***
- 2. The Board authorizes the Secretariat for the purposes of the implementation of Debt2Health to accept restricted contributions from counterpart funds which are attributed at the country level.***
- 3. The Board requests the Secretariat to implement and monitor the Debt2Health pilot phase and to report on the results and lessons learned to the Finance and Audit Committee on a regular basis.***

There are no material budgetary implications for this decision.

Agenda Item 9: Trustee Report

- 1. The representative from the World Bank gave a brief report on the trust fund of the Global Fund. Donor contributions topped US\$ 2 billion in 2006 and a total so far of US\$ 3.5 billion has been disbursed through 1,924 disbursement requests. Investment income increased due to higher interest rates to US\$ 301 million.**

Agenda Item 10: Report of the Performance Assessment Committee

- 1. The Chair of the Performance Assessment Committee, Dr Brian Brink, introduced the Committee's final report to the Board covering the performance of the Executive Director and the Secretariat. The Committee had also been responsible for the assessment of the IG.**

2. In discussion, it was asked whether the last key performance indicator, on the difference in funding between well-performing grants and poor performers, would be met. In reply, the Deputy Executive Director stated that this was a question the Secretariat was looking into via a working group on poor performing grants providing essential services in high-burden countries. Dr Bernhard Schwartlander, Director of Performance Evaluation and Policy, indicated that it was an ambitious target but one that he thought could be reached.
3. The Chair of the PAC then continued the presentation on the Executive Director Competency Model.
4. On the Executive Director Performance Cycle, it was clear that 2007 would not provide a typical assessment period, as the new Executive Director would have been in post only from April. The Chair of the PAC explained that the recommendation was for the oversight of this process to be delegated to the PSC and that a mid-term review would be carried out in September, covering the Secretariat performance, as well as that of the Executive Director.
5. In discussion, it was asked whether the PSC was the appropriate committee for overseeing this process. In addition, emphasis was given to the need to balance qualitative with quantitative assessment of performance.
6. Following the completion of its work, the PAC will be dissolved.

Decision Point GF/B15/DP32

The Board takes note of the end of year report by the Performance Assessment Committee (PAC) on the Corporate Key Performance Indicators (KPIs) 2006. It is fully satisfied with the indicators for which targets were met or exceeded. While it notes that there is a material shortfall in four KPIs, the Board accepts the reasons given as to why these targets were not met. Overall, the Board regards the results achieved in 2006 as a reflection of the performance based culture of the Global Fund and is pleased with the significant progress achieved in embedding this culture throughout all Global Fund activities.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP33

The Board approves the revised Competency Model and associated behaviors that will be used to assess how the Executive Director has set about achieving the various performance targets as detailed in Attachment 1 to the Report of the Performance Assessment Committee (GF/B15/10).

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP34

The Board approves the revised process and responsibilities for the annual performance evaluation of the Executive Director as outlined in the Report of the Performance Assessment Committee (GF/B15/10).

The budgetary implications of this decision amount to US\$ 100,000 annually.

Agenda Item 11: China Site Visits

1. Dr Qi Qingdong of the Western Pacific Region delegation described the arrangements for the Sixteenth Board meeting which will be held in Yunnan Province in China. There will be a total of 13 site visits alongside the Board meeting.
2. In discussion, it was pointed out that current Chinese legislation places restrictions on people living with HIV/AIDS entering the country. In reply, assurances were given that special arrangements would be made for Board members of the Global Fund and that the legislation was in the process of being changed although these changes would probably not come into operation sufficiently quickly to eliminate the problem for the Board meeting in November.

Agenda Item 12: Report of the Portfolio Committee

1. The Chair of the Portfolio Committee (PC), Hon. Urbain Olangueno Awono, reported that the Committee had met twice since the last Board meeting and had been examining the issues of reviewing, endorsing and approving Technical Review Panel (TRP) matters, the RCC and the Phase 2 process.
2. On the question of Upper Middle Income Countries (UMIs), the PC had drawn up some guiding principles, which attracted broad support from delegates. A number of delegates mentioned that they could support the principles where the focus was on countries with a high disease burden, high levels of poverty, vulnerable populations and weaker state structures. Counterpart financing should not be a small token amount, but should be at a level to prove real political commitment to fighting disease.
3. However, a number of delegates also expressed concern that the portfolio of Global Fund grants was already quite large at 130 countries and therefore that the threshold for UMI's should be quite high. Strict requirements for counterpart funding would be required to ensure that Global Fund financing for vulnerable populations was truly additional. UNAIDS was asked to clarify how its matrix for determining which UMI countries might apply for funding had been drawn up and why the Global Fund was felt to be the best placed organization in terms of comparative advantage, to respond to the needs of vulnerable populations in these countries.
4. In response, the representative from UNAIDS stated that decisions had been made on the basis of the magnitude of the epidemic and the huge impact it was having on these countries, with little evidence of decline in its spread.
5. A roll-call vote was then held on the Decision Point, which did not receive sufficient votes in the donor bloc to pass.
6. After further discussion in order to find a compromise, a second roll-call vote was taken and the Decision Point passed unanimously.
7. The Chair of the PC introduced the issues relating to the Technical Review Panel (TRP) which needed to be considered by the Board: TRP disclosure practices, TRP Terms of Reference, Round 7 TRP members and appeal panel formulation.

8. On the issue of disclosure, though full disclosure on the Global Fund website would be in line with policies on transparency, the TRP was strongly opposed to the public release of proposal review forms. In discussion it was pointed out by the Chair of the TRP that countries already receive this information from the Global Fund and there is a process for appeal. The Executive Director also added that he was opposed to making public why funding was not approved. In discussion, a number of delegates pointed out the need for information on rejected funding to be circulated within CCMs.

9. Concerning the size of the TRP, it was noted that proposals were becoming increasingly complex. For Round 7, the maximum number of TRP members would be 35 and great efforts had been made to ensure diversity. In discussion, delegates noted the need for better gender balance on the TRP and to ensure that there were sufficient non-English language capabilities to ensure that proposals from all countries could be considered. Sufficient scientific depth of knowledge also needed to be secured in the area of malaria.

10. The process for reaching Phase 2 decisions was put before the Board. In discussion it was pointed out that the quality of evaluations played a role in whether “No Gos” were blocked or not and therefore Board decisions could be important in these cases. However, the decision point was concerned only with streamlining the process.

11. The Chair of the PC announced that he was stepping down after four years on the Board and was sorry to be leaving his post. The Board then heard discussions on two other agenda items before PC’s presentation continued.

12. When the PC resumed its presentation, Mr Geoff Adlide, Vice-Chair of the PC introduced the Phase 2 Process Review. In cases where the Board did not agree with a Phase 2 “No Go,” it was suggested that the TRP review again its objections and then should the objections be retained, the issue would be resubmitted to the Board for decision.

13. Dr William Steiger, from the US Delegation,, raised a question to be considered by the PC of how the mid-point review of the RCC should be handled.

14. The Vice-Chair of the PC then turned to the question of LFAs, a question which had been discussed at length in the Committee. Studies on the functioning of LFAs had been made available to the Committee and it was felt that some guidance from the Board on the tendering process for contracts would be helpful. Consultations had been held with the Chair of the Technical Evaluation Reference Group (TERG), who emphasized that serious shortcomings in the current LFA contracts needed to be addressed. It is proposed to do this through a reworking of the tendering process. There is an urgent need for protocols to be developed to guide LFAs on communication with PRs, CCMs and in-country partners. LFAs themselves need to be subject to much more rigorous performance assessments and management.

15. In discussion, several delegates reinforced the argument that broader-based consortia with the right mix of skills should be encouraged to become LFAs. In countries where LFAs have been particularly weak, it might be better to offer a two year plus two year contract period, with an assessment in the middle rather than a four year contract. Concern was also expressed in situations with multiple PRs, and that conflicts of interest might arise if civil society organizations participated in LFA consortia. The Director of Operations clarified that if there was any possibility of conflict of interest, these organizations would not be eligible to become LFAs. He also recognized that good communications between partners was crucially important.

16. The delegate from the Western Pacific introduced a motion for CCM funding which was carried.

Decision Point GF/B15/DP35

The Board requests the Portfolio Committee to recommend to the Board at the Sixteenth Board meeting changes to the requirements with respect to the eligibility of applicants from upper-middle income economies¹ for HIV/AIDS grants based on the following principles:

- a. An applicant would be eligible if:**
 - i. The epidemic in the country targeted in the proposal is of such magnitude that it has measurable impact on population demographics such as life expectancy² and significant additional external resources are required to adequately address the epidemic; or**
 - ii. The epidemic in a vulnerable population³ in the country targeted in the proposal is of such a nature and/or magnitude that there is risk of accelerated spread within that vulnerable population⁴ and significant additional external resources are required to adequately address the epidemic.**
- b. Applicants within higher income levels should contribute through appropriate levels of counterpart financing and domestic investments.**
- c. Applicants must be included in the list of Official Development Assistance recipients published by the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee.**

The budgetary implications of this decision point amount to US\$ 40,000 in 2007.

¹As defined by the World Bank.

²The Board notes that several studies have shown that HIV has a broad and measurable impact on population demographics such as life expectancy once HIV prevalence rate in adults aged 15-49 is equal to or more than 1% (UN Population Division "World Population Prospects 2004"; and US Census Bureau, International Programs Center", World Population Profile: 1996, 1998, 2000 and "Global Population Profile 2002"). UNAIDS/WHO will provide a list of countries in which adult HIV prevalence is equal to or more than 1%. This list will be updated as new data become available.

³As defined by UNAIDS ("UNAIDS Intensifying HIV Prevention: UNAIDS policy position paper", August 2005, pg. 28)

⁴HIV prevalence rates in adults is equal to or more than 5% in at least one identified vulnerable population. UNAIDS/WHO will provide a list of countries in which HIV prevalence is at least 5% in one or more vulnerable populations. This list will be updated as new data become available.

Decision Point GF/B15/DP36

The Board amends Section II, paragraph 1 of the Documents Policy approved at the Third Board meeting as follows:

"B. Disclosure Categories

- 1. Records Posted on the Web Site of the Fund:**

- a. *Minutes of each Board meeting, together with the full text of all decisions approved by the Board and accompanying documents.*
- b. *List of current Members of the Board, Alternates, Members of Board delegations, Members of the Technical Review Panel, Membership of all Committees, Expert Committees and other Advisory Panels.*
- c. *Current Rules and Procedures of the Board, Technical Review Panel, Committees, and any other Fund body.*
- d. *Annual Report of the Fund*
- e. *Approved budget of the Fund.*
- f. *Proposal Applications for Approved Proposals, and commencing from Round 7, all eligible proposal applications.*
- g. *Core Documents, as defined in the Board Operating Procedures.”*

The budgetary implication of this decision point is US\$ 52,500, which includes an allocation for three temporary positions for editors and web-team personnel in 2007.

Decision Point GF/B15/DP37

The Board approves the Terms of Reference of the Technical Review Panel (TRP) as set out in Annex 2 of the Report of the Portfolio Committee (GF/B15/7).

The budgetary implications of this decision point amount to US\$ 316,000 in 2007.¹

¹For TRP professional fees and for travel, meeting and translation costs.

Decision Point GF/B15/DP38

The Board approves as Permanent Members and Alternate Members of the Technical Review Panel (TRP) the list of persons as indicated in Annex 3 of the Report of the Portfolio Committee (GF/B15/7) who have been recommended by the Portfolio Committee and the Executive Director from the TRP Support Group approved at the Thirteenth Board meeting, upon consideration of required technical expertise, as well as geographical distribution and gender balance.

The budgetary implications of this decision point amount to US\$ 75,000 annually¹.

¹This includes TRP travel expenses, accommodation and honoraria for the review of Rounds-based proposals.

Decision Point GF/B15/DP39

The Board decides that the following criteria apply to the Appeal Panel which reviews appeals of funding decisions with respect to the Rounds-based and Rolling Continuation Channels:

- a. the Appeal Panel shall be comprised of five experts, including three nominated by the Stop TB Partnership, Roll Back Malaria Partnership and UNAIDS, in close collaboration with WHO tuberculosis, HIV/AIDS and malaria departments (collectively, the “Independent Members”) and two who are TRP members.**
- b. the Independent Members may serve on the Appeal Panel for two consecutive years; and**
- c. commencing from Round 8, employees of the United Nations and its specialized agencies are ineligible to serve as members of the Appeal Panel.**

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP40

The Board decides to extend the application of the Phase 2 Decision-Making Policies and Procedures set out in Annex 3b Version 2 to the Report of the Portfolio Committee to the Fourteenth Board Meeting (GF/B14/8) beyond the time-limited trial period that is specified therein and delete the final paragraph of such document.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP41

- 1. The Board approves the following amendments to the fourth paragraph of Article 7.6 of the Bylaws:**

Notwithstanding the foregoing, the Board may decide to take action on a no-objection basis. On such basis, and subject to procedures set by the Board, a motion shall be deemed approved unless four Board members of one of the voting groups described above objects to the motion, except that a motion not to renew funding for a proposal beyond the initial funding commitment shall be deemed approved unless four Board members of each of the voting groups described above object to the motion.

- 2. The Board approves the following amendments to Article 12 of the Board Operating Procedures:**

“Article 12. No-Objection Process

Notwithstanding Sections 10 and 11, decisions by the Board to provide funding for approved proposals beyond the initial funding commitment or for proposals requesting continued funding for grants that are reaching the end of

their funding terms may be made on a no-objection basis under the following process.

As directed by the Board, the Secretariat shall issue a request for decision on each funding commitment for which a Board decision is required, and shall notify the Board accordingly. Unless four Board members of one of the voting groups described in Section 10 object to the requested decision within a time period specified by the Board following the date of notification, the requested decision shall be deemed approved by the Board, except that a requested decision not to renew funding of a proposal beyond the initial funding commitment shall be deemed approved by the Board unless four Board members of each of the voting groups described in Section 10 object to the recommendation within a time period specified by the Board following the date of notification.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP42

- 1. The Board approves the following amendments to the fourth paragraph of Article 7.6 of the Bylaws:***

Notwithstanding the foregoing, the Board may decide to take action on a no-objection basis. On such basis, and subject to procedures set by the Board, a motion shall be deemed approved unless four Board members of one of the voting groups described above objects to the motion, except that a motion not to make a renew funding for a proposal beyond the initial funding commitment shall be deemed approved unless four Board members of each of the voting groups described above object to the motion.

- 2. The Board approves the following amendments to Article 12 of the Board Operating Procedures:***

“Article 12. No-Objection Process

Notwithstanding Sections 10 and 11, decisions by the Board to provide funding for approved proposals beyond the initial funding commitment or for proposals requesting continued funding for grants that are reaching the end of their funding terms may be made on a no-objection basis under the following process.

As directed by the Board, the Secretariat shall issue a request for decision on each funding commitment for which a board decision is required, and shall notify the Board accordingly. Unless four Board members of one of one of the voting groups described in Section 10 object to the requested decision within a time period specified by the Board following the date of notification, the requested decision shall be deemed approved by the Board, except that a requested decision not to make a renew funding of a proposal beyond the initial funding commitment shall be deemed approved by the Board unless four Board

members of each of the voting groups described in Section 10 object to the recommendation within a time period specified by the Board following the date of notification.”

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP48

The Board decides to amend the Phase 2 Decision-Making Policies and procedures approved at the Fourteenth Board Meeting (Annex 3b Version 2 to the Report of the Portfolio Committee (GF/B14/8)) by:

- a. **adding the words “or the TRP” after the word “Secretariat” in the first sentence of paragraph 2;**
- b. **deleting the words (“Revised Go”)” in paragraph 2 and adding the words “Revised Request” after the word “CCM” in the fifth line of the paragraph;**
- c. **amending paragraphs 4, 9 and 10 as follows:**

“4. A Board decision in favor of a Secretariat or TRP recommendation either:

- **commits additional resources in the amount proposed in the recommendation (in the case of recommendations of “Go,” and “Conditional Go,” ~~and “Revised Go”~~); or**
- **does not commit any additional resources (in the case of recommendations of “No Go”), thereby discontinuing the proposal after Phase 1.**

9. If the Board does not decide in favor of a Secretariat or TRP recommendation of “Go” or, “Conditional Go” ~~“Revised Go”~~, the Secretariat or TRP shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies that object to a Secretariat or TRP recommendation shall provide a written explanation that is made available to all Board members and the Secretariat. The Secretariat or TRP will review its recommendation in light of such explanations and will then present a second recommendation on the first day of the subsequent month (unless time-constraints make it necessary to wait to the month thereafter). The Secretariat shall then request the Board to vote on the second Secretariat or TRP recommendation, using the procedures described above. In the event that the Board rejects a second recommendation of “Go”, or “Conditional Go” or ~~“Revised Go”~~, the matter will be referred to the next Board meeting.

10. If the Board does not decide in favor of a “No Go” recommendation from the Secretariat, the Secretariat shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies that object to such recommendation shall provide a written explanation that is made available to all Board members and the Secretariat. The Secretariat will review its recommendation in light of such explanations and will either: (i) present a revised recommendation of “Go” or “Conditional Go” ~~or “Revised Go”~~ and the request that the Board vote on the revised recommendation (or in the case of a Revised Go Request submit to the TRP), using the procedures described above; or (ii) if the Secretariat wishes to maintain its recommendation for a “No Go”, it shall refer the matter to an independent Review Panel, which shall assess the specific areas where the Board and the Secretariat differ on their assessment of the grant and report its conclusions to the Board,”

and

d. adding the following paragraph as paragraph 11 (and renumber the remaining paragraphs accordingly):

“11. If the Board does not decide in favor of a “No Go” recommendation from the TRP, the TRP shall reassess its recommendation. To facilitate the reassessment process, those Board constituencies that object to such recommendation shall provide a written explanation that is made available to all Board members and the TRP. The TRP will review its recommendation in light of such explanations and will either: (i) present a revised recommendation of “Go” or “Conditional Go” and then request that the Board vote on the revised recommendation, using the procedures described above; or (ii) if the TRP wishes to maintain its recommendation for a “No Go”, the matter will be referred to the next Board meeting for final decision.”

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP49

The Board requests the Portfolio Committee to present for approval, no later than the Seventeenth Board meeting, a procedure for the Board to make funding decisions beyond the initial financial commitment of approved Rolling Continuation Channel proposals. The Board further requests that, in developing such procedure, the Portfolio Committee take into consideration the principles, policies and procedures applicable to Phase-2 funding decisions of rounds-based proposals.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP50

The Board urges the Secretariat to develop and implement a grant-associated risk assessment framework as soon as

possible, noting that the Local Fund Agents (LFAs) are an inherent part of the Fund's assurance framework.

The Board directs the Secretariat to re-tender LFA contracts on a 4-year-basis, with contracts subject to the right of the Secretariat to cancel such contracts based on a mid-term performance review of the LFA, to be initiated between months 18 and 24 of the contract.

The Board provides the following recommendations, as indicated in the Report of the Portfolio Committee (GF/B15/7), on key principles to guide the Secretariat in the process of re-tendering:

- i. LFAs should act in a timely, open and reliable manner in order to be responsive to program needs;**
- ii. LFAs themselves should be subject to more rigorous performance assessment (including through the use of penalties);**
- iii. There needs to be a balance between the requirement for knowledge of local circumstances and the need to avoid potential conflicts of interest;**
- iv. LFAs must be able to monitor financial management performance and program performance, and link the two components;**
- v. The Portfolio Committee (PC) cautioned against building up new institutions or architecture in-country;**
- vi. The tender process should provide open space to encourage a diversity of participants, including civil society, possibly setting up a process to encourage consortia applications; and**
- vii. While recognizing that LFAs need a diversity of skills, there is a need for clear lines of accountability so country program implementers and the Secretariat can deal with a single reporting entity.**

The Board recognizes the urgent need for protocols to be developed to guide LFA communications with CCMs, PRs and technical operations partners in-country.

The Board also affirms that the PC's recommendation that the re-tendering process proceed in a way that optimizes, to the extent possible, the Global Fund's partnerships, with key technical agencies, such as UNAIDS and WHO.

The Board recognizes that the primary responsibility for sub-recipient (SR) oversight resides with the Principal Recipient.

However, the Board directs that the Terms of Reference of LFAs shall include the assessment of the systems and procedures that PRs possess for the oversight of SRs, which shall include both initial capacity assessments and ongoing implementation oversight. The LFA's fulfillment of this function shall be an element in the Secretariat's ongoing evaluation of LFA performance, including at the mid-term review.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP51

As a temporary measure, the Board decides that the two-year limit on funding for Country Coordinating Mechanisms¹ contained in GF/B11/2, p. 12, Decision Point 2 (the “CCM Funding Decision”) shall not apply to CCMs whose funding expires prior to 31 December 2007. In such circumstances, the Board authorizes the continued payment of grant funds to the CCM, provided that the funding:

- complies with the requirements of the CCM Funding Decision, other than the otherwise applicable two-year limit;***
- is disbursed at a similar rate as that at which funding was disbursed during the preceding two-year funding period; and***
- expires not later than (i) the ending date of the proposal term of a grant that the CCM is overseeing; and (ii) 31 December 2007, whichever is earlier.***

There are no material budgetary implications for this decision.

¹All references to a CCM include – in addition to a Country Coordinating Mechanisms – a Sub-national CCM, Regional Coordinating Mechanism and, in the case of a non-CCM proposal, a grant applicant.

Agenda Item 13: Committee Issues

1. The Vice-Chair of the Board made a brief presentation on the question of the Global Fund's Committee structure. This matter had been discussed by the Committee Chairs and Vice Chairs, at a meeting attended by the Chair and Vice Chair of the Board, on 5 February 2007. It was felt that only a few small adjustments to the current Terms of Reference were needed. The Ethics Committee needed to be enlarged. Concerns were raised regarding the large portfolio of tasks of both the FAC and PSC. It was further suggested that the incoming Chair and Vice Chair of the Board review and amend the membership of the PC and FAC in line with the original balance of membership. More coordination between the leadership of Committees would be beneficial and consideration would need to be given in the future, when choosing Chairs and Vice-Chairs, as to the time availability of candidates, and their ability to chair and to consult their own constituency.

2. The new incoming Chair of the Global Fund Board made some additional points concerning the support services which were envisaged for Chair and Vice-Chair, both in-country and at the Secretariat. Board members would also be canvassed for recommendations of suitable candidates for Committee Chair and Vice-Chair positions.

3. In the future, Board meetings would be reduced to two days. This change implied that more of the preparation for decisions would be carried out by the Committees. E-mail and electronic voting would also continue to be used in the case where urgent decisions of the Board were essential.

4. A discussion took place on the need to analyze terminated grants. It was agreed that the Secretariat would present a paper as a first step and then the Board would decide which Committee would examine the issue.
5. A decision point was adopted thanking the Chair and Vice-Chair for their work and all they had achieved on behalf of the Global Fund.

Decision Point GF/B15/DP43

The Board approves a budget for US\$ 400,000 in 2007 for support services to the Chair and Vice Chair of the Board.

The budgetary implications of this decision amount to US\$ 400,000 in 2007, including one additional position in the Secretariat.

Decision Point GF/B15/DP44

1. ***The Board requests the incoming Chair and Vice Chair of the Board to review and amend membership of the Portfolio Committee and Finance and Audit Committee in line with the original balance of membership foreseen when the committees were restructured at the Tenth Board Meeting.***
2. ***The Board adopts the amended Terms of Reference for the Portfolio Committee as detailed in Annex 2 and of the Ethics committee as detailed in Annex 4 to the Report on Committees (GF/B15/12).***

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP45

The Board requests the Chair to assign to a committee of the Board the task of investigating the feasibility of an additional mechanism for providing special funding to allow rapid access to new technologies to diagnose, prevent or treat one of the three diseases. This could involve reprogramming or additional funding to existing grantees and/or an extraordinary funding round to allow countries without current grants access to new funding.

The committee should report back to the Board on the results of this review at the Seventeenth Board meeting. It can, at its discretion, include in that report a recommendation for a specific mechanism for Board consideration and possible approval.

The budgetary implications for this decision are US\$ 31,500 which includes an allocation for one short-term position in 2007.

Decision Point GF/B15/DP46

The Board requests the Secretariat to prepare for the Seventeenth Board meeting, in consultation with its partners, an analysis of those grants that have been discontinued to identify

any systemic weaknesses that led to that decision and recommend steps to address those weaknesses.

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP47

We thank our Chair, Dr Carol Jacobs, for her leadership as our Board Chair. She faced many difficult issues and transition during her tenure, and managed them all with compassion and commitment to those the Global Fund serves.

We thank our Vice Chair, Dr Lieve Fransen, for her service as our vice chair. She helped as well to manage many challenges, and played a particularly important role in coordinating the work of the Board committees.

And finally, we wish to acknowledge and thank Alies Jordan and Enrico Mollica, who supported the Chair and Vice Chair in performing their duties with skill, grace, and good humor.

There are no material budgetary implications for this decision.

Agenda Item 14: Approval of the Annual Report

1. Mr Jon Lidén, Head of the Communications Team, introduced the draft Annual Report of the Global Fund which retained the traditional format.

Decision Point GF/B15/DP52

The Board approves the Annual Report as presented in GF/B15/13.

There are no material budgetary implications for this decision.

Agenda Item 15: Ethics Committee Report

1. Dr Brian Brink, Vice Chair of the Ethics Committee, introduced the report and explained that the Global Fund needed to develop secondment guidelines which the Committee recommended be based on WHO policies and procedures, which could be considered as best practice. In addition, the Global Fund legal unit should review all secondment proposals before they actually take place. The Secretariat should provide a bi-annual report to the Ethics Committee on all staff secondment appointments and highlight any potential conflicts of interest.

2. On the question of post-employment policy for Global Fund staff, the Vice Chair of the Ethics Committee reported that again WHO policies had provided a starting point for an examination of this subject as well as those in place in the private sector. Finally the Committee looked at the involvement of staff family members in

Global Fund business, as an issue had arisen following the Office of the IG's report on this issue. As a result, it is recommended to amend the Conflict of Interest policy.

3. In discussion, arguments were made for strengthening the post-employment policy and for applying secondment policies to employees seconded from governments as well as the UN and the private sector.

4. The Committee felt that it was imperative to put into practice robust systems for its whistle-blowing activities and that this should be made a priority for the Office of the IG. It was therefore proposed to implement an independent reporting hotline to support whistle-blowing.

5. The final issue raised in the work of the Ethics Committee concerned the declarations of interest which covered non-Secretariat individuals, which had reached the level of 99percent compliance in 2006.

Decision Point GF/B15/DP53

The Board amends the Policy on Ethics and Conflict of Interest for Global Fund institutions by inserting the following as section 8, and re-numbering the policy accordingly:

“8. Uncompensated Involvement of an Associated Person

An Associated Person of any employee of the Secretariat shall not be engaged to carry out work without compensation either on or outside the Global Fund premises.”

There are no material budgetary implications for this decision.

Decision Point GF/B15/DP54

The Board requests the Office of the Inspector General to implement an independent, confidential and technically robust reporting hotline to support the Whistle-blowing Policy for Secretariat and Governance Bodies of the Global Fund and In-Country Whistle-blowing Policy, as a matter of urgency.

There are no material budgetary implications for this decision.