

REPORT OF THE TWENTY-FIFTH BOARD MEETING

PURPOSE: This document presents the draft Report of the Twenty-Fifth Board Meeting and includes all decisions made at that meeting. The Report of the Twenty-Fifth Board Meeting is subject to ratification by the Board of the Global Fund at its Twenty-Sixth Board Meeting, 10-11 May 2012, in Geneva, Switzerland.

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

Decision Points are clearly indicated.

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Agenda Item 1: Opening, Approval of the Rapporteur, Approval of the Agenda, Approval of the Reports of the Twenty-Third & Twenty-Fourth Board Meetings

1. Board Vice-Chair H.E. Minister Mphu Ramatlapeng welcomed the Board to the meeting and introduced new Board Members.
2. She highlighted that this was the first time that a Board meeting took place in West Africa, providing Board delegates with an opportunity to see Global Fund-financed programs and their achievements in Ghana during a number of site visits. Also on behalf of Board Chair Mr Simon Bland she thanked the Ghanaian authorities for the warm welcome and great organization in Accra.
3. She noted that the Board meeting was taking place at the end of a difficult year for the Global Fund, only two months after the special Board meeting held in Geneva on 26 September 2011, to discuss the report of the High Level Independent Panel (Panel) commissioned in February 2011 by the Global Fund's Board to review the Fund's fiduciary controls and oversight mechanisms.
4. She highlighted how important this Board meeting was and pointed out that a number of very difficult and controversial decisions would have to be taken. She then acknowledged the incredibly hard work of the many committed, passionate and dedicated people who prepared the documents for consideration by the Board at the meeting and put in significant time and effort over the last months to move a number of key pieces of work forward.
5. Board Chair Mr Simon Bland expressed his hope that all Board members would be able to come together and find enough agreement to take the decisions necessary to "signal to the world that the Global Fund is moving forward resolutely to reform and indeed transform itself." He encouraged everyone to keep in mind the incredible results the Global Fund has achieved and to consider what remained to be done in the best interest of the organization as it moved into its second decade.
6. The Board Vice-Chair informed the Board that Mr Alvaro Bermejo from the Developed Country NGO constituency was designated as rapporteur for the Twenty-Fifth Board Meeting. The decision point passed without discussion.
7. The Board Vice-Chair presented a revised version of the agenda for the Twenty-Fifth Board Meeting, reflecting a decision to start with the discussion and approval of the new Global Fund Strategy for 2012-2016. The decision point passed without discussion.
8. The Board Vice-Chair presented the reports of the Twenty-Third and Twenty-Fourth Board Meeting, reminding everyone that the approval of the report of the Twenty-Third Board Meeting had been held off until today because the Twenty-Fourth Board Meeting was a special and condensed meeting dedicated to the discussion of the findings and recommendations of the High Level Independent Panel on Fiduciary Controls and Oversight Mechanisms. The decision points approving the reports passed without discussion.

Decision Point GF/B25/DP1

Mr. Alvaro Bermejo from the Developed Country NGO constituency is designated as rapporteur for the Twenty-Fifth Board Meeting.

Decision Point GF/B25/DP1.1

The agenda for the Twenty-Fifth Board Meeting (GF/B25/1) is approved.

Decision Point GF/B25/DP3

The report of the Twenty-Third Board Meeting (GF/B25/10) is approved.

Decision Point GF/B25/DP4

The report of the Twenty-Fourth Board Meeting (GF/B25/11) is approved.

Agenda Item 2: Report of the Executive Director

1. Global Fund Executive Director Prof Michel Kazatchkine delivered his report to the Board, noting at the outset that his report would be shorter than usual so as to allow for an extensive discussion of the Consolidated Transformation Plan (CTP) later on in the meeting. He acknowledged that 2011 brought more than the usual complement of challenges for the Global Fund, saying that it had been a year of “unprecedented difficulties, setbacks, reflection and lessons about the need for change.”

2. He highlighted that he was fully committed to leading the transformation that the Fund must undergo and said that he was fully aware that the success of the transformation would require strong leadership at the top of the organization, meaning a strong management team and a motivated staff. He added that in the next months he would reassess the management structure and “make the additional changes and adjustments required to ensure effective, unified and transparent leadership.”

3. He briefly summarized some key elements of the CTP, noting that it would be discussed in more detail later. He highlighted that, in his view, the CTP represented a strong collective effort of the Board, Secretariat and the Office of the Inspector General (OIG), bringing together in a compelling way all reforms that started or were proposed over the last year. He emphasized that implementation of the CTP would be his first priority in 2012 and outlined the deliverables already completed as well as the priorities for action over the next 12 months. He added that, based on the timelines in the plan, within a year, he expected to see progress in many areas, including: improved and differentiated grant management and more strategic dialogue in countries; risk-segmentation operationalized, strong accountability and timely, quality disbursements; more effective procurement systems in place with uninterrupted commodities supplies and optimal prices; more strategic investments through flexible reprogramming and a two-step application process; and more robust asset forecasts based on a review of the replenishment mechanism. He emphasized that the focus on institutional transformation “must ultimately strengthen our ability to deliver real and sustainable results in the fight against the three pandemics”.

4. Prof Kazatchkine then provided a brief overview of key aspects of the portfolio and of the Global Fund’s results in the three disease areas at the end of 2011, emphasizing the impact programs funded by the Global Fund are making.

5. With regard to resource mobilization efforts, he noted that the fiscal and economic environment outlook posed major challenges to the Fund's longer-term resource mobilization efforts. He thanked Japan, France, and the United States for the timely payment for their contributions in 2011 and welcomed the decision of the United Kingdom to frontload its 2012 contribution. He noted that, in the short term, there had been a significant and worrying deterioration in the forecast of available assets for Round 11. He emphasized the importance of urgently developing a more robust and reliable risk-adjusted forecasting model and instruments of commitment. He added that, however, even the most robust forecast, could not have anticipated the present perfect storm of exchange rate deterioration, sudden decrease in pledges, loss of donors, widening gap between pledges and actual contributions, and zero return on investment funds held for the Global Fund by the World Bank. He concluded by saying that there would be no easy solutions in resource mobilization, but that everything possible needed to be done to ensure that there would be no disruption for people on treatment and that all options possible to manage Round 10 and adapt Round 11 to the circumstances would be examined.

6. Prof Kazatchkine concluded his report with a few words about the new Global Fund Strategy, emphasizing that it was a product in which the Board, the Secretariat, and all the stakeholders that participated in its development "can take pride", and a vital part of the transformation the Global Fund is undergoing.

7. The Board Vice-Chair thanked the Executive Director and the entire Secretariat for the report and the work undertaken since the last Board meeting, and noted that a decision had been taken not to open the floor for questions at this point in order to save time for discussion of other items on the agenda.

Agenda Item 3: Global Fund Strategy (2012-2016)

1. The Board Vice-Chair thanked Dr Suwit Wibulpolprasert and Todd Summers, the Chair and Vice-Chair of the Policy and Strategy Committee (PSC) for leading the extensive and very inclusive consultations on the new Global Fund Strategy, noting that she had personally attended one of the consultations, in Johannesburg, South Africa, and been able to witness the high level of engagement by stakeholders in the discussions on the Strategy.

2. On behalf of Dr Wibulpolprasert, who could not attend the meeting, Mr Summers presented the Strategy. He started by summarizing the year-long process that was used to develop the Strategy, as well as the current context, one in which resources may be more constrained, but also one in which "new tools, new interventions and new technologies are ready to be put to use." He noted that throughout the development of the Strategy, the aim was to maximize the impact of Global Fund investments (as reflected in its title, "Investing for Impact") and to focus on the right interventions, for the right people, at the right price.

3. The process began with the Sofia Board Retreat in December 2010. Building on the rich discussions at the Retreat, the Strategy was then developed through a truly collaborative effort between the Strategy Working Group of the PSC and the Secretariat throughout the course of 2011, which Mr Summers called "a model for Board-Secretariat cooperation" and "something that should be carried forward and inform future work." He thanked all those who contributed to the various drafts and the consultations for their extremely hard and dedicated work.

4. According to Mr Summers, the Strategy benefited greatly from the series of consultations held with a broad range of stakeholders, including representatives from implementing countries, partner organizations and the Technical Review Panel (TRP).

Among participants in the consultations, there was broad consensus that the Global Fund had been a true “game changer” in the fight against the three diseases, catalyzing focus on the three diseases globally and galvanizing action at country level. At the same time, participants recognized that there was room for improvement and an opportunity to increase impact, improve predictability of funding, enhance sustainability and become more proactive. Participants felt that the new Strategy represented a unique opportunity to optimize the Global Fund model, thus maximizing the impact of Global Fund investments. He noted that the input and the many written comments received have been reflected in the revised version of the Strategy now in front of the Board.

5. Mr Summers further noted that the Strategy was developed on a parallel track, and was completely consistent with, the other major planning initiatives undertaken in 2011 – the Comprehensive Reform Plan, the Governance Reform Initiative and the CTP; and that, as a longer-term vision document, it provided a clear roadmap into the Global Fund’s future, defining a shift away from an emergency response to the three diseases to making long-term, sustainable impact. However, he continued by saying that the Strategy was not, and was never intended to be, a detailed policy document. He noted that, after the Board meeting, a lot of additional work would be required to develop an implementation plan for the Strategy, revise the Key Performance Indicators (KPIs) and make other changes to policies, structures and staffing.

6. He highlighted that the Strategy includes: (a) ambitious goals so that the Fund can show how it is contributing to achieving the MDGs and the global targets established by WHO, UNAIDS, Stop TB and RBM; (b) five objectives that support the Global Fund’s shift to (1) investing more strategically in the highest-impact countries, interventions and populations; (2) a new way of accessing funding; (3) more actively managing grants; (4) devoting greater attention to promoting and protecting human rights in the context of health; and (5) promoting long-term sustainability of programs, as well as of the Fund itself; and (c) two strategic enablers.

7. According to Mr Summers, the first objective, to invest more strategically, was “probably the most important in the entire Strategy and the most fundamental shift in the operations of The Global Fund.” This would involve a number of strategic actions, including: (1) a focus on the highest-impact countries, highest-impact interventions and the populations most at risk; (2) funding based on quality national strategies and through national systems, working hard with partners to help countries focus on writing national strategies and using those to obtain funding from the Global Fund, instead of writing Global Fund grant proposals; (3) maximizing the impact of Global Fund investments on strengthening health systems; and (4) maximizing the impact of Global Fund investments on improving the health of mothers and children, reflecting the Board’s decision to stick for now to work on AIDS, TB and malaria, but to do it in a way that would support, as much as possible, progress on MDGs 4 and 5.

8. Mr Summers continued by explaining the rationale behind the second strategic objective (“evolve the funding model”), saying that changes in the way the Global Fund would provide resources to countries had become necessary for a number of reasons. It had become clear that the rounds system had advantaged countries that had high technical skills or worked with experienced consultants on their Global Fund proposals, leading to some countries doing “exceedingly well” at obtaining resources from the Global Fund while other countries had consistently failed with their proposals, sometimes leading to resources “not going where the need is greatest.” The intention therefore was to replace this system with one that would be more flexible, based on an iterative, dialogue-based application process that would include working with countries and partners on proposals and providing early feedback and “jointly working towards success.” At the same time, Mr Summers

added, the Global Fund would not “lower the bar on technical competence.” He emphasized that, ultimately, proposals would still be reviewed by an independent TRP and would still have to achieve the highest standards of technical merit. He added that another important component of the evolution of the funding model would consist of measures to facilitate the strategic refocusing of existing investments, acknowledging that the reprogramming process had been very difficult and had therefore rarely been used, even when countries were implementing programs designed many years earlier and had recognized that changes were needed. Mr Summers said that, under the new Strategy, the reprogramming process would be opened up and become a routine component of the grant management process to ensure that the latest technologies, interventions, and approaches can be integrated into existing proposals.

9. Talking about the third objective (“actively support grant implementation success”), Mr Summers started by saying that “it is all about making the money work better once it gets to countries.” This includes three strategic actions. The first is to actively manage grants based on impact, value for money and risk. Mr Summers noted that, over the past few meetings, the Board had focused a lot on discussions about how to mitigate risk. He emphasized that, while that was of course important, it was just as important to achieve the greatest impact with the resources. In this context, the new Strategy recognizes that the Global Fund, working with partners, can do a lot more to ensure countries have greater flexibility to use the funds provided by the Global Fund as their needs change, as the situation with other donors changes, as their own financial situation changes – all with the ultimate goal of maximizing the impact of the Global Fund resources. He went on to say that the second strategic action under the third objective was to enhance the quality and efficiency of grant implementation, by being more proactive if there was a problem in a country with implementation – “working with partners to help make things work instead of remaining passive if countries are struggling to succeed.” Equally relevant, the third strategic action was about making partnerships work to improve grant implementation, recognizing that enhancing the Global Fund partnerships was fundamental to the success of the Strategy as a whole, and therefore seen as one of its two strategic enablers, but was most important in grant implementation.

10. With regard to the fourth objective (“promote and protect human rights”), Mr Summers highlighted that the Global Fund had already done a lot to protect and promote human rights, including by steering resources towards populations whose needs countries often fail to address and by requiring that those living with the diseases and most at risk be included in CCMs and have a say in the development of proposals. However, throughout the consultations on the Strategy, there had been recognition that the Global Fund can and should do more. This would include efforts to ensure that the Global Fund does not support programs that infringe human rights; integrating human rights considerations throughout the grant cycle; and, importantly, increasing investments in programs that address human rights-related barriers to access, including increased funding for civil society groups that often work hard to identify and address these barriers.

11. Finally, with regard to the fifth objective (“sustain the gains, mobilize resources”), Mr Summers highlighted the need to increase the sustainability of Global Fund-supported programs. “Put simply,” he said, “we have to change the paradigm where the programs supported by the Global Fund are seen as Global Fund programs rather than as country programs.” He noted that this would require greater co-investment by countries, but even more importantly real ownership by countries of the Global Fund-supported programs. In addition, attracting additional funding for the fight against the three diseases, both from current and new sources, would remain a key responsibility.

12. Fundamental to the success of the Strategy, and therefore included as “strategic enablers” requiring immediate attention, are action to “enhance partnerships to deliver results” and to “transform to improve Global Fund governance, operations and fiduciary controls.” In this context, Mr Summers reminded everyone of the importance of doing a lot more, and urgently, to ensure that the Global Fund partnership works. He highlighted the essential role of partners in supporting grant implementation in an enhanced way, as well as in informing strategic investment, supporting the new iterative funding model, increasing impact on maternal, newborn and child health, and promoting and protecting human rights. With regard to the reforms needed to strengthen the Global Fund, he noted that they would be discussed in detail under the next agenda item, on the CTP, and added that, without rapid implementation of those reforms, resulting in a stronger organization, the Global Fund would “have a really hard time achieving the goals and objectives under the Strategy.”

13. In the discussion, Board delegates unanimously and enthusiastically supported the new Strategy and thanked all those who had contributed to its development, including in particular the Strategy Working Group, the Executive Director for his leadership, and staff at the Secretariat who worked tirelessly to refine drafts and provide background information. Delegates recognized that the Strategy represents a great advocacy tool for resource mobilization, outlining the Global Fund’s vision and key objectives at what is a critical time in the response to the three diseases and in particular, a once in a lifetime opportunity to turn the tide against HIV. Some delegates raised questions about whether the Strategy’s ambitious goals and targets could indeed be achieved, in light of the resource-constrained environment. Others emphasized the need to start development of the next Strategy earlier. Still others welcomed the inclusion of a strategic action aimed at maximizing the impact of Global Fund investments on improving the health of mothers and children, but restated that now was not the time to broaden the scope of the Global Fund’s mandate and that therefore this action needed to take place within the current focus on the three diseases. Many delegates welcomed the emphasis in the new Strategy on maximizing the impact of Global Fund investments, specifically noting the need to focus on those in greatest need. Some delegates encouraged even greater efforts to ensure alignment with countries, while others emphasized the need to ensure that the Global Fund remains global and specifically welcomed the focus on human rights.

14. In response, Mr Summers clarified that increased resources, as well as greater efforts to make the Global Fund partnership work and increased alignment with country systems, would indeed be necessary to achieve the Strategy’s goals and targets – more strategic investments and better value for money would help, but would not be enough.

15. In closing, the Board Chair emphasized that the Strategy “represents the Global Fund at its best, something that all constituencies fully subscribe to, something that is ambitious and aspirational, and something that makes an exciting and compelling investment case.” At the same time, he acknowledged that the new Strategy was an excellent foundation for the Global Fund’s future, but that it alone would not be enough to rebuild trust and confidence in the Fund. He then introduced the decision point on the new Strategy which passed after some additional discussion about the strategic action aimed at maximizing the impact of Global Fund investments on improving the health of mothers and children.

Decision Point GF/B25/DP5

The Board refers to its decision on the Global Fund Strategy 2012-2016 Framework (GF/B23/DP14) and:

- 1. Approves the Global Fund Strategy Framework 2012-2016 (GF/B25/7/a) (the “Strategy Framework”), endorses in principle the Strategic Actions articulated in the Global Fund Strategy 2012-2016 (GF/B25/7/b) (the “Strategy Document”), and affirms its vision of a more vibrant and engaged institution working more closely with countries to achieve impact;**
- 2. Requests the Secretariat to commence work to implement the strategy as set forth in the Strategy Framework and the Strategy Document; and**
- 3. Requests the Strategy, Investment and Impact Committee to:**
 - i. oversee the implementation of the strategy;**
 - ii. review and recommend as appropriate any related changes in policy or operations that require Board discussion or approval (or refer other changes as appropriate to the Coordinating Group for attention by other committees); and**
 - iii. provide the Board with a progress update on the implementation of the Strategic Actions at the Twenty-Seventh Board Meeting, and regularly thereafter.**

The budgetary implications of this decision will be addressed together with those related to the Consolidated Transformation Plan as part of the 2012 budgetary approval process.

Agenda Item 4: Consolidated Transformation Plan

16. The Board Chair introduced the discussion on the CPT, reminding delegates of the rapid growth and huge impact of the Global Fund over the last 10 years. He emphasized that, throughout its history, the Global Fund had been innovative in its approaches, learnt from others and from its own lessons, and had continued to evolve. According to the Board Chair, this “means that even before the reforms started accelerating in the fall of 2010, the Global Fund was already reforming and changing.” He continued by saying that, since the Sofia Board retreat, first with the establishment of the Comprehensive Reform Working Group (CRWG) and then with the establishment of the High-Level Panel, the pace and scope of reforms had accelerated considerably. While the Board did not agree with everything in the report of the Panel, he noted that there was clear consensus among Board members that fundamental change was needed and that the report presented a compelling case for rapid and urgent transformation of the Global Fund. He then reminded delegates that only two months ago, at its Twenty-Fourth Meeting, the Board had charged the Secretariat and the OIG to come back to this Board meeting with a consolidated transformation plan.

17. Global Fund Executive Director Prof Michel Kazatchkine presented the CTP, noting at the outset that its implementation would be the Global Fund’s highest priority in 2012 and also represented a key enabler for the Global Fund Strategy 2012-2016. He characterized it as a collective effort by the Board, the OIG and the Secretariat, consolidating all reform work into a single plan and consolidating the recommendations of the Panel, the deliverables of the Plan for Comprehensive

Reform, elements of the Global Fund Strategy, and lessons learned from recommendations of the OIG.

18. He continued by saying that the plan provided a detailed roadmap concerning changes the Fund would introduce in the next 18 months, in each of the following six transformation areas: (1) resource allocation, investment, results measurement and evaluation; (2) risk management; (3) grant management, including working with partners; (4) Secretariat organization, management and culture; (5) governance; and (6) resource mobilization. He noted that, in each of these areas, changes had been made to the original draft circulated to the Board in early November, based on comments received from Board Members emphasizing, among other things, the need for greater alignment of Global Fund processes with national systems, as well as the importance of: greater flexibility in reprogramming; reforms in procurement and supply management; the role of implementers in risk management; greater coordination with partners; ensuring consistency between the CTP and the human rights objectives of the Strategy; and costing of the CTP and prioritization of activities.

19. Prof Kazatchkine highlighted that the deliverables under the CTP were all due within three to 18 months, with most due within 12 months, and that more work would be needed to prioritize and cost all of the activities that would be undertaken. Reports on the progress achieved in implementing the CTP would be provided at the Board meetings in 2012, and a full review would be undertaken at the end of 2012. Some of the early deliverables have included a protocol for the relationship between the Secretariat and the OIG, the development of an operational risk matrix and risk-based segmentation of the grant portfolio, appropriate resourcing of 38 Country Teams, including full time, senior Fund Portfolio Managers (FPMs) in the 26 highest risk/burden countries; new terms of reference for the Executive Management Team (EMT) and performance assessments for EMT members, and the hiring of a Chief Risk Officer. Prof Kazatchkine concluded his presentation by reminding delegates of the interrelationship between the Strategy and the CTP, emphasizing that the success of the Strategy would depend critically on the effective implementation of the various operational and strategic measures contained in the CTP. He then asked Mr John Parsons, Inspector General, to add any relevant information.

20. Mr Parsons started his brief presentation by saying that he had been very pleased to work in close collaboration with the Executive Director to champion the CTP. He pointed out that quite a few elements of the plan addressed concerns that had first been raised in reports of his office; and added that he was particularly pleased to see in the CTP firm commitments to fully apply operational risk management and to develop a comprehensive accountability framework by June 2012. He then noted that he was committed to taking forward the elements of the plan that relate to the OIG. He said that work to implement these elements of the plan had already started, as reflected in his detailed written report to the Board. He concluded by highlighting two priority initiatives: (1) the protocol that defines principles and practices of work between the OIG and the Secretariat, developed in close collaboration between the OIG and the Executive Director; and (2) the development of a number of codes of conduct, including for suppliers, recipients, and Secretariat staff.

21. In the discussion that followed, Board delegates thanked the Executive Director, Secretariat and OIG for their work on the CTP. Some delegates expressed concern about the number of projects the CTP envisages, and the capacity of already overstretched Secretariat staff to manage and implement all the projects. They suggested that clearer priorities be established, with a view to be able to quickly demonstrate increased efficiency, one of the prerequisites for successful resource mobilization efforts. They raised questions about the cost implications of the plan, noting the importance of implementing the plan without increasing the overall

budget of the organization, by de-prioritizing other aspects of the Global Fund's work and shifting resources, both financial and human, to where they are now most needed. A number of delegates, however, emphasized that the Global Fund's work with civil society should not be among the areas that will be de-emphasized and expressed concerns about the fact that some staff had already been shifted from the civil society team to other functions. Other delegates expressed concern about the lack of attention to human rights issues and concerns in the CTP.

Delegates also emphasized the need to ensure that risk management efforts would not result in delays in getting much needed prevention and treatment interventions to people. As one delegate stated it, "risk management done well should increase efficiency and make the Global Fund work faster and better for countries." He continued by saying that, to date, the focus on identifying abuse had led to "relative paralysis and slowing of Global Fund functions." He noted that, therefore, the Board should closely monitor the implementation of the risk management framework, not only in terms of whether it would indeed result in a reduction in findings of fraud by the OIG, but also in terms of its other potential, unintended consequences. With regard to country ownership, delegates emphasized that it needed to be maintained and even strengthened. With regard to voluntary pooled procurement and storage and distribution of drugs, a number of delegates noted that, in their view, the Board would have to provide further guidance to the Secretariat before related work items in the CTP could be implemented. Other delegates emphasized that all of the reforms could not and should not "be moved within the Secretariat and by the Secretariat," but needed to be communicated to, and discussed with, countries and the partners in countries and owned by all. One delegate suggested that, instead of providing reports on the progress achieved in implementing the CTP every six months, at the time of the Board meetings in 2012, the Secretariat should provide more regular, quarterly progress reports.

22. In response, Prof Kazatchkine first emphasized that the country ownership principle remained one of the key principles of the Global Fund. At the same time, he acknowledged that some tensions existed between elements of the CTP and the new Strategy and the principle of country ownership – tensions that he suggested should be discussed openly and resolved quickly. He thanked the delegates who had emphasized the need to work closely with partners, and assured delegates that he completely agreed that the Global Fund should not duplicate the work of its partners, but rather work closely with them and seek their help to ensure the success of both the CTP and the new Strategy. He then asked Deputy Executive Director Dr Debrework Zewdie to respond to the other comments and concerns.

23. Dr Zewdie repeated that implementation of the CTP would be the first and most important priority for the Secretariat, requiring de-prioritization of many other areas. But she assured delegates that civil society engagement, one of the most important components of the Global Fund's work, would not be one of them. With regard to the capacity of staff to implement all the projects in the CTP, she acknowledged that staff were overstretched, but emphasized that some of the measures already taken, such as adoption of the human resources strategy, would allow for greater flexibility in re-allocating staff to where they are most needed, promoting staff, and otherwise addressing workload issues. She noted that assigning Fund Portfolio Managers (FPMs) to each of the 26 highest risk/burden countries should decrease the risk of burnout and enable staff to focus on one country rather than dealing with multiple countries or issues. She further noted that the reassignment of staff to FPM positions was done in response to one of the most pressing recommendations of the High Level Panel, to strengthen grant management in the highest risk/highest burden countries. On the issue of voluntary pooled procurement and storage and distribution of drugs, she said that the Secretariat was fully aware of the Board's decision to put on hold until further considerations related

recommendations by the Panel and had therefore taken action items pertaining to them out of the CTP. Regarding the cost implications of the CTP, she noted that, according to preliminary estimates, implementing the CTP would require 75 FTEs. However, she emphasized that the implementation of the CTP would happen in the context of an overall flat budget, and that budget cuts would be made in other areas to make this possible. Finally, she said that it would be difficult if not impossible, and of little additional benefit to the Board, to report on progress made in implementing the CTP on a quarterly basis. She stressed that the CTP was a living document, and that changes would be made to it regularly to reflect new insights and lessons learnt.

24. The Board Chair concluded by applauding the staff of the Secretariat and OIG for having undertaken an enormous amount of work in a very short time, producing a plan that “may not be perfect but represents an impressive piece of work.” After a number of minor amendments the decision point passed.

Decision Point GF/B25/DP6

1. To transform the Global Fund into a more efficient and effective organization, the Board approves the Consolidated Transformation Plan presented in the Board paper titled “Consolidated Transformation Plan” (GF/B25/4, Revision 1 and Attachment 1, Revision 1) to address and implement the recommendations of the High-Level Independent Panel (the “HLP”) that were adopted at the Twenty-Fourth Board Meeting and to integrate the Plan for Comprehensive Reform which was endorsed at the Twenty-Third Board Meeting. The Consolidated Transformation Plan sets objectives, deliverables and timelines to transform through the following elements:

- a. Transforming Resource Allocation, Investment, Results Measurement and Evaluation;**
- b. Transforming Risk Management;**
- c. Transforming Grant Management including working with partners;**
- d. Transforming Secretariat Organization, Management and Culture;**
- e. Transforming Board Governance; and**
- f. Transforming Resource Mobilization.**

2. The Board requests the Secretariat, the OIG and the Board Chair and Vice Chair to proceed with implementation, and to provide a comprehensive progress update at the two regular Board meetings in the 2012 calendar year.

3. A review to evaluate the success of the Consolidated Transformation Plan and identify any adjustments that may be required will be conducted after one year of full implementation. The results of this review shall be presented to the Board at its first regular meeting in the 2013 calendar year.

The budgetary implications of the Consolidated Transformation Plan will be part of the 2012 Operating Expenses Budget. The Board requests the Secretariat to provide, by 31 January 2012, a detailed costing of the Consolidated Transformation Plan based on the estimated funds, based on the principles of cost neutrality, specifying from which de-prioritized activities the resources will come.

Agenda Item 5: Round 11

25. The Board Chair introduced the discussion of Round 11 which continued in the morning and late afternoon of day two of the meeting when the decision point was voted on. He started by inviting Mr Peter Van Rooijen, Chair of the Finance and Audit Committee and Co-Chair of the Round 11 Working Group, to present the forecast of uncommitted assets to be available for grant approvals and commitments in 2011-2013.

26. Mr Van Rooijen started by saying that, under the usual method of forecasting, the estimated level of uncommitted assets at the end of the current replenishment period (December 2013) had declined from an earlier expected US\$ 1.6 billion, to a shortfall of US\$ 0.1 billion. He noted that the principal reasons for this reduction were the declining expectations in 2011 of the contributions and investment income to be received in the period 2011 - 2013, together with a more accurate reflection of the timing of receipt of several major pledges and an under-estimation of the level of operating expenses. He continued by saying that, under the newly proposed “risk-adjusted” forecast (taking into account significant known risks on confirmed pledges) the estimate further declined from a shortfall of US\$ 0.1 billion to a shortfall of US\$ 0.6 billion. He briefly explained the implications of this shortfall, as well as the measures that could be taken to increase the level of uncommitted assets. In particular, he noted that if no measures were taken, the estimated shortfall might remain at US\$ 0.6 billion. In such circumstances, the Global Fund’s Comprehensive Funding Policy would require that a “Commitment Reserve” be established, setting aside funds to ensure that funding for the renewal of existing, signed grants, could be committed over the next three years. The practical effect of such a Commitment Reserve would be to delay the signing of the remaining Round 10 proposals, perhaps extending the signing period out to 2014. He then invited Mr Todd Summers, the other Co-Chair of the Round 11 Working Group, to present its deliberations, as well as the options for modification of the application, renewal and approval processes for new and existing investments the Working Group had developed.

27. Mr Summers started by reminding delegates that, at the Twenty-Fourth Board meeting in September, the Board had responded to the declining forecast of uncommitted assets by delaying the submission date of Round 11 proposals and setting up the Working Group to consider measures that could be applied to grant renewals and Round 11 proposals. He noted that the Working Group had focused its work on four areas: 1) potential funding available for supporting new grants under Round 11; 2) savings potentials from existing grants; 3) investing more strategically, in alignment with the Global Fund 2012-2016 Strategy and the recommendations made by the High Level Panel; and 4) adapting and strengthening the grant renewal process.

28. Mr Summers continued by saying that, given the resource constraints, the Working Group had concluded that there was a need for the Board to take immediate and exceptional action to ensure that existing resources would be invested more strategically, together with maintaining essential programs. He emphasized that the Working Group fully recognized that its recommendations were controversial and represented important changes to the Global Fund’s business practices, but had concluded that not adopting any measures would result in significant reputational and programmatic risks for the Global Fund. He further noted that, while there was a lot of agreement among Working Group members about many of the recommendations, some of the members had expressed reservations on particular measures, meaning that no consensus had yet been reached and further work would be required to refine the recommendations.

29. He then presented the Working Group recommendations in more detail, as reflected in a draft Decision Point. Firstly, the Working Group recommended that the application and approval process for grant renewals be redesigned and strengthened in two ways: by employing a revised, iterative application and approval process to ensure strategic investments; and by applying the policies around eligibility, prioritization, and counterpart financing that had been agreed to at the Twenty-Third Board Meeting to renewals as well, instead of to new proposals only. The latter would ensure that Global Fund resources would be invested more strategically and focused on countries and populations most in need. Secondly, the Working Group recommended that transitional measures be made available to countries impacted by the changes in the first recommendation. Thirdly, it recommended that the one-year Grace Period provision for changes in country income classification (as provided in the eligibility policy) be rescinded for both new proposals and grant renewals. Fourthly, the Working Group recommended that: 1) Round 11 continue, but with strong upfront guidance to applicants to ensure strategic investment in light of anticipated resource constraints; 2) the Round 11 review and approval process be revised to include iterative steps with relevant stakeholders; and 3) in order to revise Round 11 as recommended, the Board amend other related policies. Alternatively, instead of moving forward with Round 11, another option the Working Group considered was to establish a Transitional Funding Mechanism under which grantees may apply for up to two years of funding for continuation of essential prevention, treatment and/or care programs currently financed by the Global Fund that would otherwise face disruption between 1 January 2012 and 31 March 2014. He clarified that this would mean that there would be no expansion of programs and no funding to new countries until 2014 – but at the same time, it would provide a targeted funding opportunity open to current Global Fund grantees with programs facing an important disruption in prevention, care and treatment services up until the end of 2013. He further clarified that this mechanism would involve a TRP assessment, and that guidance would be developed by the Secretariat, in consultation with partners and the TRP, on what exactly the components of “essential prevention, treatment and/or care” are.

30. At the end of his presentation, Mr Summers noted that the Working Group would continue to work over the next day and a half to refine its recommendations and try to arrive at a solution everybody could live with. In the meantime, he encouraged delegates to interact with members of the Working Group and to raise any concerns they may have regarding the recommendations and options presented.

31. The Board Chair thanked Mr Van Rooijen and Mr Summers for their presentations and all the members of the Working Group for their hard work. He acknowledged that some very difficult decisions would have to be taken, but called upon everyone to do their best so that the Board could reach a decision on this controversial issue. He then suggested that delegates provide any substantive comments directly to the Working Group instead of making them in plenary, and noted that there would be opportunity for more in-depth discussion of the recommendations on the second day of the meeting.

32. In discussion on the second day, delegates expressed many concerns related to the recommendations and options presented on the first day. In particular, some delegates suggested that the proposed decision point not only urgently request donors to consider measures to increase and accelerate funding, but also request implementing country governments – especially those from middle-income countries – to increase funding for the three diseases and related health investments. Many delegates requested that additional measures be taken to ensure that a greater percentage of resources go to the people most in need in the poorest countries, suggesting that the total funding approved for grant renewals for Low Income Countries should be no less than 55 or even 60 percent of any annual funding window.

Some delegates expressed support for the inclusion of such a provision, but suggested that its implications be closely monitored and that, if needed, the ceiling be revised to take lessons learned into account. Some of those supporting the establishment of a Transitional Funding Mechanism requested a change in the application date for funding under this mechanism, to allow for additional time to gather the information that would be required for these applications. Other delegates continued to oppose the establishment of the Transitional Funding Mechanism and instead made a proposal that would have allowed to take Round 11 forward, as a new funding opportunity consistent with the new Global Fund Strategy, with a view towards funding proposals under the new model beginning in early 2014. Several concerns regarding this proposal were noted and ultimately, it was rejected.

33. While noting the Board's strong commitment to the development of the Health Systems Funding Platform, most but not all delegates suggested the Platform be suspended until the new funding model becomes operational. Finally, a number of delegates emphasized that, in addition to adopting the measures identified by the Working Group, it would be essential to review the way in which the forecast of uncommitted assets is produced. They suggested that the Finance and Operational Performance Committee take such a review forward, informed by an external analysis to ensure that the Global Fund applies best practice compared with other organizations and forecasts in the best way possible.

34. Ultimately, most of these suggestions were reflected in a revised decision point. The Board agreed to cancel Round 11 and put in place the Transitional Funding Mechanism. In addition, it adopted a number of measures to identify further savings needed for the Fund to have enough money to pay for the Transitional Funding Mechanism and for Round 10 grants that had not yet been signed. Ultimately, the Board decided to: (1) rescind the one-year Grace Period provision for changes in country income classification ; (2) apply the "counterpart financing" and "focus of proposal" requirements that already apply to new grants also to Phase 2 renewals; and (3) make Phase 2 financial commitments one year at a time instead of making them in two tranches. In addition, following a difficult discussion and with some delegates voicing vehement disagreement and suggesting that the Global Fund should continue to use existing prioritization criteria, the Board decided, through a formal vote, that countries will no longer be eligible for Phase 2 renewal of their current grants if they are G-20 upper-middle-income countries "with less than an extreme disease burden". The decision point reflecting this passed. The Western Pacific Constituency requested that their "no vote" be included for the record.

35. The Board Chair concluded by thanking all delegates for their willingness to compromise. He admitted that there was "a lot not to like" in the decision the Board had taken, but emphasized that in difficult times, tough decisions were needed to move forward and signal to the world that the Global Fund was willing to turn the page. He stressed that it would be extremely important to well communicate this decision so that its implications would be well understood by all stakeholders.

Decision Point GF/B25/DP16

The Board:

- 1. In light of current resource constraints, adopts the measures identified in Annex 1 in order to make available resources to provide for continuation of essential prevention, treatment and/or care services by current grantees.***

2. ***Agrees to establish a Transitional Funding Mechanism as described in Annex 2 in order to provide this continuation funding.***
3. ***Decides to convert Round 11 into a new funding opportunity consistent with the new Global Fund 2012-2016 Strategy, with a view towards funding proposals under the new model beginning in early 2014. Round 11 proposals that are updated as appropriate may form the basis for an application for the next funding opportunity.***
4. ***Directs the Secretariat to work with countries and partners to develop full expressions of demand for programs for the three diseases and related health systems and civil society strengthening investments that are consistent with the new strategic approach envisioned in the new Strategy, with such information to be available for the Mid-Term Replenishment.***
5. ***Urgently requests donors to consider measures to increase and accelerate funding, and implementing country governments, especially those from middle-income countries, to increase funding for the three diseases and related health investments.***
6. ***Delegates to the Board Chair, in consultation with the Vice-Chair, authority to make or delegate any additional decisions necessary to implement the above. The Board Chair shall report to the Board on any such decisions taken.***

Annex 1 to GF/B25/DP16

Annex 1: Financial Measures

1. ***Effective 1 January 2012, a revised application and approval process for renewals will be employed to ensure strategic investments, as described in “Options for Modification of the Application, Renewal and Approval Processes for New and Existing Investments,” (GF/B25/8).***
2. ***Effective 1 January 2012, the following eligibility criteria for renewals applications will become effective:***
 - a. ***Group of 20 (G-20) upper middle income countries with less than an extreme disease burden will no longer be eligible for renewals of grants; and***
 - b. ***The counterpart financing and focus of proposal requirements under the Policy on Eligibility, Counterpart Financing and Prioritization will apply.***
3. ***Transitional measures as described in GF/B25/8 will be made available to countries impacted by the above changes to eligibility.***
4. ***The one-year Grace Period provision for changes in country income classification will be rescinded for both new proposals and grant renewals.***

5. *The TRP will support the renewals process by providing independent technical expertise to the Secretariat panel making recommendations on grant renewals.*
6. *The total funding approved for grant renewals for Low Income Countries will be no less than 55% of any annual funding window.*
7. *Additional Commitments (as defined in the Comprehensive Funding Policy) longer than one year shall be committed in annual tranches for renewals of existing grants.*

Annex 2 to GF/B25/DP16

Annex 2: Transitional Funding Mechanism

Scope:

1. *Grantees may apply for up to two years of funding for continuation of essential prevention, treatment and/or care programs currently financed by the Global Fund that will otherwise face disruption between 1 January 2012 and 31 March 2014.*
2. *The Secretariat, in consultation with partners and the TRP, will develop guidance on components of “essential prevention, treatment and/or care.”*
3. *Applicants must show that there are no alternative sources of funding available to fund the activities proposed.*
4. *The Policy on Eligibility, Counterpart Financing and Prioritization will apply.*
5. *Applications will be due 31 March 2012.*
6. *Second Wave NSA applications will also be subject to the criteria above.*
7. *The Health Systems Funding Platform will be suspended until the new funding model is operational.*

Review and Approval Process

1. *The TRP will assess applications for the Transitional Funding Mechanism in accordance with the criteria in its Terms of Reference and will also determine whether applicants demonstrate a risk of “disruption of essential prevention, treatment and/or care” services and that the activities cannot be funded by alternative sources of funding.*
2. *The Board or an appropriate committee, as determined by the Board Chair, will endorse the TRP’s recommendations, and provide guidance on prioritization if demand exceeds supply.*
3. *Applications will be approved on a rolling basis. Funds may be committed in staggered commitments so as to minimize disruption of activities.*

Implementation

- 1. If programs face disruption before funds become available under the Transitional Funding Mechanism, the Secretariat (under the direction of the Board Chair) will develop a bridge funding mechanism to cover the disruption for the minimum amount and time necessary.***

Agenda Item 6: Governance Reform

36. The Board Vice-Chair introduced the discussion of the reform of the governance of the Global Fund. She started by reminding delegates that during the Twenty-Third Board Meeting, the Board decided to launch an ambitious governance reform process that the Chair and Vice-Chair were asked to lead and oversee. She continued by saying that phase 1 of this process was focused on redefining the role of the Board and its committees and putting in place a competency-based process to select representation on the newly formed committees; and that phase 2 would begin in December and focus on determining the competencies for Board members and helping each constituency put in place a process to ensure they would be represented well during Board meetings.

37. The Vice-Chair thanked everybody who had participated in the extensive constituency consultation process, including the governance survey, the governance workshop at the Partnership Forum, numerous one-on-one constituency consultations, the “mini-group” consultation calls convened by the Board Vice-Chair and the consultations on governance issues at all committee meetings held in October.

38. She noted that a lot of key decisions required to move forward the governance reform had already been taken. In particular, at the Twenty-Fourth Board Meeting, the Board decided to approve the formation of three new standing committees: the Audit and Ethics Committee; the Strategy, Investment and Impact Committee; and the Finance and Operational Performance Committee. In addition, the Board approved the creation of a Coordinating Group consisting of the Chairs and Vice-Chairs of each of the committees and the Board Chair and Vice-Chair. She reminded delegates that the Board decided that the Coordinating Group should not be an Executive Committee, but rather focus on helping the Board “make good, timely decisions on the right things.” As had been recommended by the HLP and the governance reform consultations, a decision was taken to reduce the size of committees, consistent with a review of best practice showing that committees with less than 15 persons work more efficiently. As a result, once the committee charters would be approved, the Finance and Operational Performance Committee will have 14 members; the Strategy, Investment and Impact Committee, 16; and the Audit and Ethics Committee, 7. She emphasized that efforts now needed to focus on improving transparency and engagement in the work of committees and between committees, at least in part through the work of the Coordinating Group, but also by getting committee papers out earlier to all constituencies; holding conference calls; exploring web-casting of committee meetings; promoting inter-constituency collaboration; and reviewing staff support to Board and committees.

39. The Vice-Chair concluded by saying that phase 2 of the governance reforms would “all be about engaging implementer voices – because we need to make sure that when committees meet, the implementer bloc is able to contribute much more effectively than now.”

40. In discussion, delegates thanked the Vice-Chair and Chair for their hard work in leading and overseeing the governance reform initiative, and for moving things forward so swiftly and rapidly making a lot of progress. Some delegates were concerned that the reduction in the size of the committees could lead to a lack of

adequate information sharing and transparency, resulting in some Board members feeling that they are not sufficiently involved in the governance of the organization. They said that it would be important to strike the right balance between efficiency and inclusiveness and suggested that one way of doing that could be to open up the committees to observers from constituencies without voting or speaking rights. Other delegates noted that the issue of whether or not committees should be opened up to observers had already been discussed extensively and that the general feeling was that allowing inclusion of observers would advantage the donor constituencies, in addition to increasing the size and cost of committee meetings. The Partners constituency asked that the Strategy, Investment and Impact Committee consider inviting partners to at least some of its meetings, particularly when important programmatic decisions will be made, where the expertise and input from partners would be beneficial.

41. Many delegates were concerned about the lack of gender balance and diversity, particularly on the Coordinating Group, and suggested the rules would have to be changed to ensure adequate representation as regards constituencies, geographic regions and gender balance. Delegates noted the importance of providing for regular rotation of committee membership and of an induction process for new members of committees and of the Board. A few delegates proposed that, in future, an additional step be added to the process used for selecting committee chairs and co-chairs, to allow committee members to become more involved in this process and put forward recommendations for the chair and co-chair at their first committee meeting. Some delegates suggested that the possibility of remunerating not only the Board Chair and Vice-Chair, but also committee chairs and vice-chairs be further explored, since this would allow for the recruitment of independent leaders.

42. One delegate expressed the view that the Affordable Medicines Facility – malaria (AMFm) Ad-hoc Committee should continue, instead of being subsumed in the new Market Dynamics Advisory Group, noting that implementing the AMFm remained a challenge, requiring dedicated attention. However, other delegates said that, while a year ago they would have supported such a suggestion, they now opposed it because it was incompatible with the spirit of the governance reform and the recognition that the Board needed better communication, but fewer committees with fewer people. One delegate suggested that, because of the importance of its work in the current resource-constrained environment, the new Market Dynamics Advisory Committee be constituted in advance of the next meeting of the Board, ideally as early as in January 2012.

43. In response, the Board Chair and Vice-Chair highlighted once again that the process used to come up with the proposal now in front of the Board had been a consultative one, and that it had included a review of the governance of other, similar organizations, in order to identify best practices and they appealed to delegates to respect the outcome based on the consultations that had been undertaken. They said they had taken note of the many suggestions made and committed to working closely with the delegations that had made these suggestions, so that they could be considered in phase 2 of the governance reform. After some further discussion, the decision point passed.

Decision Point GF/B25/DP7

The Board notes that:

- A. ***The Board Chair and Board Vice-Chair were requested by the Board to lead and oversee a governance reform initiative based on recommendations from the Comprehensive Reform Working Group at the Twenty-Third Board meeting. Drawing from an***

extensive consultation process, in September 2011 the Chair and Vice-Chair provided the Board with a summary of the emerging governance reform recommendations. These governance recommendations were further complemented by the release of the findings and recommendations of the High-Level Independent Review Panel.

- B. On the basis of these recommendations, a number of governance reform decisions were undertaken by the Board at its Twenty-Fourth meeting, including the replacement of the four standing committees with three new standing committees and establishment of a Coordinating Group comprised of Board and Committee chairs and vice-chairs.*

To further transform the governance of the Global Fund, the Board decides as follows:

- 1. The Board approves the revised Bylaws of the Global Fund as set out in Attachment 1 to the paper titled ‘Governance Reforms’, GF/B25/5 (“the Board Governance Paper”), which shall supersede the existing Bylaws of the Global Fund as last amended by the Board on 2 March 2011(GF/B22/EDP/10).*
- 2. The Board approves a Charter for each of the new standing Committees of the Board, namely:
 - a. the Strategy, Investment and Impact Committee (as set out at Attachment 2 to the Board Governance Paper);*
 - b. the Finance and Operational Performance Committee (as set out at Attachment 3 to the Board Governance Paper); and*
 - c. the Audit and Ethics Committee (as set out at Attachment 4 to the Board Governance Paper).**

These Charters shall supersede the standing committees’ terms of reference as last amended at the Nineteenth Board Meeting (GF/B19/DP8) and ad hoc committees’ terms of reference.

- 3. The Board approves the Terms of Reference for the Coordinating Group as set out at Attachment 5 of the Board Governance Paper.*
- 4. The Board approves the Operating Procedures of the Board and Committees of the Global Fund (as set out at Attachment 6, Revision 1 of the Board Governance Paper), which shall supersede both the Board Operating Procedures as last amended on 2 March 2011 (GF/B22/EDP/10) and the Committee Rules and Procedures as last amended at the Twentieth Board Meeting.*
- 5. The Board authorizes the Secretariat to undertake any necessary consequential modifications to existing policies, processes and procedures in order to reflect the amendments to the governance materials of the Global Fund as set out in this decision point.*
- 6. The amendments to the governance materials of the Global Fund as set out in this decision point shall have immediate effect.*

The Board notes that this decision point concludes the first phase of the governance reform program initiated in May 2011.

The Board requests the Board Chair and Board Vice-Chair to proceed to propose further governance reforms as appropriate and present findings and recommendations for decision at the first Board meeting of the 2012 calendar year.

Agenda Item 7: Decision Points Arising From Committee Meetings

44. The Board Vice-Chair invited Mr Todd Summers, Vice-Chair of the Policy and Strategy Committee (PSC), to briefly present the decision points the PSC recommended to the Board for approval, as well as the decision points taken by the PSC at its 16th meeting on 24-26 October under delegated authority by the Board.

45. With regard to the Technical Evaluation Reference Group (TERG), Mr Summers thanked the new Chair, Dr Mickrey Chopra, and the other members for their work since implementation of the TERG's new Terms of Reference, including provision of significant input to develop the Global Fund Evaluation Strategy 2012-2016; evaluation of the Global Fund's funding of in-country monitoring and evaluation systems, to be completed in January 2012; and commentary on the formative evaluations of the Sexual Orientation and Gender Identity (SOGI) and the Gender Equality Strategies. He suggested it would be important to more effectively utilize TERG expertise to improve the effectiveness of Global Fund-supported programs, Global Fund operations, and strategic decision-making both by countries and the Global Fund. He further noted that the PSC expressed the need for the TERG to establish formal processes to: consult and work more closely with stakeholders, including the OIG and the TRP, in defining priorities for the TERG work plan; ensure that outputs from TERG evaluations are fed back to the TRP, incorporated into improving grant management, Global Fund operations and lesson learning; and clarify the scope, timing and mechanism through which the TERG reports to the Board.

46. In order to give the new Strategy, Investment and Impact Committee time to undertake the recruitment and selection process of new TERG members, the PSC recommended extending the terms of five current members of the TERG until the completion of that process. The decision point passed without discussion.

Decision Point GF/B25/DP8

The Board decides to extend the terms of current TERG members Minister Dorothee Kinde Gazard, Prof. Wim Van Damme, Mr. Stein-Erik Kruse, Dr. Kumaraswami Vasanthapuram, and Dr. Lixia Wang until the completion of the recruitment and selection of new TERG members, as required under the TERG Terms of Reference (GF/B22/4, Annex 5).

47. With regard to the Global Fund Evaluation Strategy 2012-2016, Mr Summers noted that it incorporated not only comments received from the PSC, but also inputs from Global Fund partners and stakeholders, as well as the TERG. He thanked the Secretariat and the TERG for the development of the Evaluation Strategy and noted that PSC members had provided a number of inputs to further ensure that it responded to the Global Fund's strategic, organizational and operational needs, including the need to: (i) provide a more strategic vision for the evaluation function; (ii) work with countries to produce data and information that countries can utilize to improve grant implementation; (iii) embed into the grant management processes a

strong feedback loop of evaluation findings; (iv) harmonize with partners on the ground in implementing evaluation work to avoid any duplication; and (v) ensure that the annual evaluation implementation plan is realistic in relation to management of costs and results, drawing on best practice among other international institutions.

48. He highlighted that the Evaluation Strategy may have to be further revised now that the new Global Fund Strategy 2012-2016 had been finalized and approved, to ensure full alignment of the two. The decision point approving the Evaluation Strategy passed without discussion.

Decision Point GF/B25/DP9

The Board:

- 1. Approves the Global Fund Evaluation Strategy 2012-2016 (as set out in Annex 1 to the Report of the Policy and Strategy Committee (GF/B25/12));**
- 2. Acknowledges that the Global Fund Evaluation Strategy 2012-2016 may require additional revisions in order to ensure consistency with the final Global Fund Strategy 2012-2016, as approved under GF/B25/DP5, and requests that the Secretariat, working together with the TERG, update the Global Fund Evaluation Strategy 2012-2016 as may be required;**
- 3. Requests the TERG to develop an annual implementation plan for the Global Fund Evaluation Strategy 2012-2016; and**
- 4. Requests the TERG, through the new Strategy, Investment and Impact Committee, to submit a revised Global Fund Evaluation Strategy 2012-2016 and the first annual implementation plan to the Twenty-Sixth Board Meeting for approval, and to submit subsequent annual implementation plans thereafter.**

49. With regard to the KPIs, Mr Summers presented some highlights from the mid-2011 KPI results, reminding everyone that the Board delegated oversight of the KPIs to the PSC and that, therefore, this agenda item was for information purposes only and did not require a decision by the Board.

50. He noted that overall, the performance of the Global Fund remained stable in the first six months of 2011 compared to mid-2010 results. However, there were a few areas of concern, including Donor Contributions (KPI 1), Volume of Financing (KPI 11), and Speed of Grant Signing (KPI 9). In particular, the PSC was concerned about the underperformance of a number of grant-related indicators including three of the top ten indicators of portfolio results, namely (i) insecticide treated nets distributed; (ii) cases of malaria treated; and (iii) people treated for multi-drug resistant tuberculosis (MDR-TB). In part, this may be due to increased risk aversion among Secretariat staff members engaged in direct grant management. Mr Summer continued by saying that the PSC recognized that it was in the interest of all Global Fund partners and stakeholders to ensure delivery on the mission while managing risk to the portfolio. The Committee also noted the importance of avoiding creation of perverse incentives in relation to disbursements of funds to meet volume of financing targets (KPI 11) and agreed that disbursement decisions should be made in a way that differentiates and actively manages risk. Finally, the PSC sought to better understand

how underperformance detected through KPI monitoring fed into decision making at the Secretariat, particularly among staff members engaged in direct grant management. Ms Summers reported that the Director of Country Programs had briefed the PSC on management actions underway to reduce risk aversion among grant management staff members. The PSC appreciated his insights and welcomed the opportunity to open up a dialogue on grant management and performance issues with the Secretariat, noting that many of the concerns raised would become a major focus of the new Strategy, Investment and Impact Committee and the Finance and Operational Performance Committee, as well as the Board. In particular, the PSC agreed that lessons learned from underperformance on the speed of grant signing should feed into the design of the new “iterative funding model.”

51. In concluding this part of his presentation, Mr Summers highlighted the importance of ensuring that the Board as a whole understands, owns and debates the KPIs. Mr Summers then moved to the review of the corporate performance framework, noting that, at the request of the PSC, an independent review of the KPI framework had been undertaken. He said that the PSC was pleased with the quality of the review and endorsed its findings. The priority now, Mr Summer continued, was to ensure the Secretariat revised the KPI Framework, in light of that independent review, but also taking into account the HLP recommendations and the newly adopted Global Fund Strategy 2012-2016.

52. In discussion, delegates thanked the team at the Secretariat that works on the KPIs for their “fantastic job.” A number of delegates emphasized the importance of the KPI Framework and expressed agreement with the assessment of the Vice-Chair of the PSC that the Board as a whole needed to take ownership of the KPIs. One delegate repeated serious concern about KPI 11 (volume of financing), saying that it was directly contrary to some of the principles laid out by the HLP and that “it seems to create perverse incentives for moving money out of the door without a thoughtful, strategic approach.” The decision point passed.

Decision Point GF/B25/DP10

The Board:

- 1. Refers to the Policy and Strategy Committee’s endorsement of the findings of the Independent Review of the Key Performance Indicator (KPI) Framework (GF/PSC16/07), and requests the Secretariat to revise the KPI Framework in light of that Independent Review, the High-Level Panel recommendations (approved under GF/B24/DP3), and the Global Fund Strategy 2012-2016 (as approved under GF/B25/DP5);***
- 2. Requests the Secretariat to submit the revised KPI Framework to the Board for a decision to approve any revisions; and***
- 3. Requests the Secretariat to allocate sufficient resources under the KPI Framework to allow appropriate reporting to Board Committees relating to the KPIs under their oversight function.***

53. The Board Vice-Chair thanked Mr Summers for his presentation and invited the Chair of the Portfolio and Implementation Committee (PIC), Ms Blandina S.J. Nyoni, to introduce the committee’s item for Board decision.

54. Ms Nyoni reminded delegates that the PIC met on 29-30 September 2011. Given that the timing of the meeting coincided with the need for Board decision, and since the issues related to the portfolio, four items were presented at that meeting to the PIC for recommendation to the Board: (i) amendment to the Board-approved upper ceiling amounts for three consolidated disease proposals under Round 10; (ii) extension of signing deadline for Round 10 grants; (iii) approach for the mid-term review of grants under the Rolling Continuation Channel (RCC); and (iv) start and end dates for the Round 9 Cote D'Ivoire HIV grant. Due to the time-sensitive nature of the four items, the PIC recommendations on these issues were later submitted to the Board for electronic decision, and five related decision points were approved by the Board on 31 October 2011.

55. After this introduction, Ms Nyoni presented the decision point related to TRP membership. She noted that, for Round 11, there were 34 TRP Permanent and Alternate member vacancies that had to be filled. However, given uncertainties about the timing and scope of Round 11, the PIC felt that deciding on the TRP members for Round 11 would be premature. Instead, in line with the governance reforms, the PIC felt that the TRP leadership should be given the flexibility to decide on the TRP members for each Round, considering that the Support Group Members from which the vacancies would be filled had been approved by the Board based on the recommendations of the PIC and the Executive Director. Therefore, the PIC agreed to request delegated authority for the TRP leadership to decide on: (i) filling of vacancies in the Permanent and Alternate members from the Support Group Members; and (ii) increasing the Permanent Members (from the Alternate members) for each Round based on the number and focus of proposals received for review.

56. In discussion, one delegate noted that, in light of the new Global Fund Strategy 2012-2016 and the many other reforms that were occurring, the entire terms of reference of the TRP should be looked at and revised, if necessary. The decision point passed without further discussion.

Decision Point GF/B25/DP11

- 1. The Board refers to its decision on “TRP Recruitment 2010-2012” (B21/EDP/18) appointing the membership of the Technical Review Panel (TRP) Support Group, comprising the pool of experts from which TRP membership will be replenished in the event of TRP vacancies as they may arise. The Board also notes that each of the TRP Support Group members (as presented in Annex 1 of the Report B21/EDP/18) have been recommended by the Portfolio and Implementation Committee and the Executive Director of the Global Fund Secretariat. The Board authorizes the TRP Chair and TRP Vice-Chairs to appoint replacements for vacancies in the Permanent TRP and Alternate members from members of the TRP Support Group.***
- 2. The Board authorizes the TRP Chair and TRP Vice-Chairs to add members to the TRP as required for a given round of proposals. Such additional members shall be selected from Alternate Members, and where necessary due to member unavailability, from former TRP Members.***
- 3. When additional members are added to the TRP, the TRP leadership shall report such additions to the relevant Board Committee.***
- 4. The Terms of Reference of the TRP shall be amended accordingly.***

57. The Board Vice-Chair thanked Ms Nyoni for her presentation and invited the Chair of the Finance and Audit Committee (FAC), Mr Peter Van Rooijen, to introduce the committee's two items for Board decision.

58. With regard to the first item, the voluntary dispute resolution process, the FAC Chair explained that it provides principal recipients with a non-binding alternative to potentially costly arbitration to resolve disputes related to OIG final audit and investigation reports. He noted that the development of this process had taken a long time, but said that the FAC was very happy with the outcome and highlighted that there was full agreement between the OIG and the Secretariat about this process. He concluded his short presentation by adding that an independent panel of technical experts would be appointed by the Audit and Ethics Committee for this purpose, and that any costs would be covered from within the 2012 budget envelope. The decision point passed without discussion.

Decision Point GF/B25/DP12

The Board approves the adoption of a Voluntary Dispute Resolution Process as described in GF/FAC17/23 to provide Principal Recipients of Grant funds with a non-binding alternative to arbitration to resolve disputes related to OIG final audit or inspection reports.

The budgetary implications of the Voluntary Dispute Resolution Process will be part of the 2012 Operating Expenses Budget.

59. The FAC Chair expressed his appreciation and satisfaction with the significant amount of work that had gone into developing the Global Fund Medium-Term Human Resources (HR) Strategy, consisting of five pillars: (1) strengthening the institutional environment for managing human resources; (2) developing the people management skills of line managers; (3) establishing a comprehensive policy framework; (4) strengthening HR services; and (5) providing strong HR support to the implementation of the CTP. In particular, he emphasized the strategic importance of the HR Strategy in relation to delivering on the CTP.

60. The FAC Chair noted that the FAC had decided to approve the HR Strategy in line with FAC authority on these matters, but recommended that the Board also endorse the Strategy, given its strategic importance in relation to the Consolidated Transformation Plan, the Global Fund Strategy, and the Board's own obligations as an employer.

61. In discussion, several members sought clarification about the budgetary implications of the HR Strategy. It was suggested that the decision point be amended to clarify that the implementation of the Strategy would be budget neutral with respect to the proposed 2012 Operating Expenses Budget. The revised decision point passed.

Decision Point GF/B25/DP13

The Board approves the Global Fund Medium-Term Human Resources Strategy as described in GF/FAC17/17.

The implementation of this decision shall be budget neutral with respect to the proposed 2012 Operating Expenses Budget.

Agenda Item 8: Risk Management & Oversight in the Grant Portfolio

62. Mr John Parsons, Inspector General, presented an overview of OIG activities covering the April – October 2011 time period, as well as the proposed plan and budget for 2012. He started by saying that the OIG had committed considerable time and energy to support the work of the HLP. He welcomed the Panel's report and its recognition of the work of the OIG, as well as the recognition that the OIG must continue to have the independence to craft reports that reflect its professional findings, free from political or other interference. He said he was pleased that the HLP recognised the importance of transparency, which distinguishes the Global Fund from other international institutions.

63. He continued by saying that the OIG was firmly committed to acting on the nine recommendations in the HLP report that were addressed to the OIG, and said that progress had already been made. One example was the protocol that defines principles and practices of work between the OIG and the Secretariat, which he had talked about in more detail under the agenda item on the CTP. He said that the OIG was also working on the tone of its reports, in particular to ensure that any disagreements that arise in the progress of the OIG's work are reflected in the reports. On the issue of the behaviour of OIG teams – an issue he recognized had not only come up in the HLP report, but also at previous Board meetings – he ensured delegates that he was taking it very seriously. He noted that, attached to his written progress report, was a code of conduct for the OIG which he hoped the Audit and Ethics Committee would reflect on as a priority. He noted that sanctions against contractors who transgress this code of conduct and a complaints procedure for staff had already been put into practice.

64. With regard to the performance of the OIG, he said that major efforts were being undertaken to ensure timeliness of reporting, with a goal of releasing audit reports within six months of the fieldwork being completed. He mentioned that the OIG was now undertaking exit surveys at the completion of both fieldwork and reporting and said that he was hoping that the exit survey results could be sent directly to the Audit and Ethics Committee so that the Committee could directly review the feedback that comes in from those being audited. He further reported that a set of KPIs for the OIG had been developed; and said that the OIG was firmly committed to a quality-assurance review of the audit function that would start in January or February of 2012 and a peer review of the investigation function.

65. With regard to future audits, he noted that the OIG fully accepted the recommendation in the HLP report that the OIG focus on more recent transactions, from Round 6 onwards, and on the areas of highest risk. He also accepted that there was a need to strengthen the OIG's managerial capacity, as well as a need to recruit core public health and procurement and supply management specialists and to rely to a greater extent on national institutions in countries in which audits are undertaken. At the same time, a question remained about the capacity of country systems to undertake full investigations.

66. He then briefly highlighted some key points from reports the OIG released recently or was about to release, before turning to the proposed audit and diagnostic review plan for 2012. He noted that the OIG was proposing to scale back to 10 country audits, 8 diagnostic reviews and four Secretariat-based reviews. With regard to investigations, he pointed out that, obviously, since investigations depend on referrals that come to the OIG, the OIG could not plan them in advance. He continued by saying that there was a growing caseload, and that the OIG was focusing on those cases where there were clear indications of fraud, corruption and misappropriation or drug theft. He concluded by highlighting some of the key issues related to the 2012 budget proposal for the OIG.

67. Mr Mark Edington, Director of Country Programs, referred to the written response by the Secretariat to the OIG Progress Report (GF/B25/15, Attachment 1) and highlighted that the Secretariat had made significant progress in 2011 on addressing OIG recommendations. He noted that the main mechanism for addressing these recommendations would now be the CTP.

68. In the rest of his short presentation, he focused on risk management, first talking about the Operational Risk Management Framework and then addressing the Country Segmentation Matrix and application of differentiated safeguards. He emphasized that the Operational Risk Management Framework was a major part of the CTP and that it would fundamentally change the way the Global Fund works. He stressed that it was not focused on investing less in high risk environments or trying to eliminate risk, but rather about identifying and mitigating risk at the country and grant level to enable the Fund to continue investing in high disease burden, high risk environments. Therefore, it is about how the Global Fund invests, not where. He continued by saying that the Secretariat was just as concerned with programmatic risk, such as poor quality of services, as fiduciary risk; and added that the risk model would also include consideration of ethical risks and human rights. He noted that the Secretariat was currently developing a qualitative model to analyze risk at the country and grant level, which would enable the Fund to take specific risk mitigation measures using the risk mitigation toolbox. Based on the experience with this, the Secretariat would develop a qualitative and quantitative model to analyze risk that would allow for more sophisticated risk analysis and mitigation. He noted that this would further improve consistency and lead to the application of more standardized approaches, and added that the risk models would also allow for better calibration of Secretariat and LFA resources towards higher risk activities.

69. Moving on to the Country Segmentation Matrix, the Director of Country Programs said that the Secretariat had completed an initial segmentation of the portfolio based on disease burden, risk, volume and workload, building on the HLP work. He emphasized that this was not in any way intended to stigmatise countries. Rather, it had been used to allocate full time FPMs to 26 of the higher risk countries, representing 60 percent of the portfolio. He noted that the Secretariat had also used this to identify five higher risk countries that would move into the Country Team Approach within the next few weeks; and said that this was just the start of a medium/longer term process to allocate more staff and resources directly towards strengthened and more proactive grant management. Within the next two years, this would lead to: (1) fiduciary, programmatic and other operational risks being proactively managed across the portfolio; (2) the Global Fund and its partners ensuring effective oversight through a strong risk culture; (3) clearer and strengthened accountability at all levels of the Global Fund, including country partners; and (4) greater consistency of approach to grant management.

70. He concluded by saying that, “if we can get the risk-based approach right, it will enable us to deliver our mission to more people, more effectively and with greater impact.”

71. Mr Peter Van Rooijen, Chair of the Finance and Audit Committee (FAC), referred to the report of the Finance and Audit Sub-committee on OIG matters (GF/B25/15) and, in the interest of time, did not give an oral presentation.

72. In discussion, Board delegates thanked the Director of Country Programs for his presentation and, in particular, for the excellent work on risk management. They welcomed the phased approach taken by the Secretariat and expressed confidence that it would provide good results.

73. Delegates expressed support for the work of the OIG and restated their commitment to full transparency and accountability, but expressed a number of concerns, as well as reservations about the way in which the OIG works. They highlighted that complaints about the behaviour of OIG teams in country continued. While there may have been some progress recently, delegates stressed the need for further action, stating that they wanted the OIG to be strong, wanted zero tolerance for corruption, but also expected OIG staff and contractors to be professional and respectful.

74. Delegates also expressed a need for a more detailed and strategic audit plan, saying that the information provided in the report was insufficient. While saying that they supported an increase in the budget of the OIG, many delegates also expressed concern about the size of that increase and emphasized that the Fund needed to be mindful of its exceptionally difficult financial situation and apply rigour to the examination of the OIG's budget. A number of delegates generally criticized the report provided by the OIG (GF/B25/3), saying that it was long, repetitive and failed to strike the right tone. In particular, delegates noted that the value for money section in the report misrepresented the issues raised at the Twenty-Second Board meeting about what should be the appropriate level of investment in investigation and audit functions in an organization like the Global Fund. They pointed out that delegates were unanimous in supporting investment in a strong OIG, but that a more strategic, longer-term view of the right balance between investing in audit and investigations and investing in reducing fiduciary and programmatic risk was required.

75. Delegates emphasized the importance of ensuring that there be a good, positive relationship between the OIG and the Secretariat and said they were pleased to hear about progress made in that area. They noted, however, that restoring confidence between the OIG and partners in country, including civil society, principal recipients and UNDP, was also critical.

76. Delegates expressed concern about the safety of OIG and Secretariat staff and said that greater action to protect staff and contractors was imperative. With regard to UNDP, delegates noted with satisfaction UNDP's commitment to implementing the HLP recommendations as a high priority and acknowledged that progress was being made in that regard. One delegate clarified that, contrary to what the OIG's report said, the HLP report did not recommend that UNDP should prepare an exit plan from the Global Fund operations within the next three years, but rather recognised UNDP as a partner and recommended that UNDP prepare for an exit at country level, in countries where it serves as Principal Recipient.

77. The Inspector General thanked delegates for their interventions. He said that what troubled him most was the issue of conduct of OIG teams in country. As he had explained earlier, a number of measures have been implemented to ensure there would be no further instances of inappropriate behaviour and emphasised that exist interviews undertaken in 2011 had been quite positive. He appealed to Board Members to let the OIG know of any allegations of misconduct so that the Office could take swift action against any individuals behaving inappropriately. With regard to the audit plan, he explained that the current approach had been approved by the Board three and a half years ago. He suggested that the new Audit and Ethics Committee reflect with the OIG on how to move forward, developing priorities and, if needed, a new or revised strategic approach to audits and investigations. With regard to the budget, the Inspector General admitted that in the past the OIG had been over-ambitious, seeking to do more than was possible within the allocated budget. This led to delays in releasing reports. In terms of investigations, he repeated that their number depended on referrals and said that his assumption was that the Board would "not consider it acceptable that any concerns of misappropriations be left unattended."

78. Because of lack of time, Mr Van Rooijen suggested the Inspector General be asked to respond in more detail, in writing, to all the issues raised by delegates. The Board Chair supported this proposal and asked Mr Parsons to provide a detailed written response.

Agenda Item 9: Leadership of the New Global Fund Committees

79. The Board Vice-Chair briefly summarized the process that had been used to select the leadership of the new Global Fund committees. The decision point approving the appointment of Todd Summers (Private Foundations delegation) and Shaun Mellors (Communities) as Chair and Vice-Chair of the Strategy, Investment and Impact Committee; Viorel Soltan (Eastern Europe and Central Asia) and John Monahan (USA) as Chair and Vice-Chair of the Finance and Operational Performance Committee; Brian Brink (Private Sector), Claude Rubinowicz (France) and Karlo Boras (Developing Country NGOs) to serve as members of the Audit and Ethics Committee, with Brian Brink also serving as Vice-Chair, passed without discussion.

Decision Point GF/B25/DP14

- 1. The Board approves the appointment of Todd Summers and Shaun Mellors respectively as Chair and Vice-Chair of the Strategy, Investment and Impact Committee to serve two-year terms, or until the appointment of their respective successors;***
- 2. The Board approves the appointment of Viorel Soltan and John Monahan respectively as Chair and Vice-Chair of the Finance and Operational Performance Committee to serve two-year terms, or until the appointment of their respective successors; and***
- 3. The Board approves the appointment of Brian Brink, Claude Rubinowicz and Karlo Boras to serve as members of the Audit and Ethics Committee, occupying those Committee seats reserved for Board constituencies, and Brian Brink as Vice-Chair of the Audit and Ethics Committee to serve two-year terms, or until the appointment of their respective successors. The remaining four seats on the Audit and Ethics Committee reserved for independent members, including that of the Committee Chair, shall be filled by the Board in due course based on the nominations received from the Coordinating Group.***

Agenda Item 10: Finance Matters

80. The Board Vice-Chair invited Ms Veronique Bishop of The World Bank (Trustee for the Global Fund) to provide highlights from the Trustee Report. These included: (1) from inception to the end of September 2011 the Trustee had received contributions of USD 19.665 billion in cash and promissory notes, of which USD 1.001 billion were received in the first nine month of 2011; (2) a decrease in grant commitments and disbursements in the first nine months of 2011 relative to the volumes seen during the same period in 2010 (commitments for projects and administrative budget during the first three Quarters of 2011 were USD equivalent 1.3 billion, representing a 43 percent decrease over the corresponding period in 2010); (3) since inception, the Trustee has committed USD equivalent 19.9 billion for project grants and administrative budget, of which USD equivalent 15.7 billion has been

disbursed to Principal Recipients; (4) a steady increase in the total number of disbursements made to designated third parties; and (5) total investment income of over USD 1 billion, with investment income in the first nine months of 2011 alone totaling USD 72.

81. The Trustee noted that, despite market volatility and a challenging investment climate, positive, albeit low, returns continued to be posted due to a conservative capital preservation policy that emphasizes preservation of capital. The Global Fund Trust Fund's liquid portfolio earned 1.49 percent in the first three quarters of 2011, on an average balance of USD equivalent 4.85 billion.

82. Answering a question from a delegate, she clarified that funds available for commitment are based on donor contributions received by the Trustee and investment income earned in the Global Fund Trust Fund, less approved project and operating budgets. As of September 30, 2011, net funds available in the Trust Fund for commitment towards new project grants and other expenses totaled USD equivalent 1,185 in the Global Fund Trust Fund main account, and USD 76 million under the AMFm sub-account. There was no further discussion or decision point.

83. The Board Vice-Chair then invited Mr Peter Van Rooijen, Chair of the FAC, to briefly present the Operating Expenses Budget for 2012. Mr Van Rooijen started by pointing out that the budget in front of the Board had been developed taking into consideration the need for implementation of the CTP. He noted that the budget was an envelope, providing flexibility to shift both budget and staff to deliver on the CTP; and briefly presented the comprehensive process that had been used to develop and review the detailed budget containing 6,500 specific lines across 81 teams in six clusters.

84. With regard to the Secretariat costs, he reminded the Board that, in response to the recommendations of the High Level Panel, it had previously agreed to strengthen country operations by allowing for a temporary increase of 25 staff (to be reduced to 10 by the end of 2012 and 0 by the end of 2013), as well as for realignment of other staff. With regard to the LFA costs, he noted that the increase of 13.9 percent in 2012 was in line with the High Level Panel recommendations to focus additional resources on grant management and risk management. Finally, with regard to the OIG costs, he said that the significant budgetary increase of 35 percent in 2012 compared to 2011, including a USD 3.0 million contingency for unanticipated work (investigations), recognized the need to strengthen management capacity and technical expertise in the OIG, as well as the need to improve timeliness and maintain quality of OIG reports. He noted that the intention was that the OIG budget would flat line in 2013 and 2014. Generally, he said that FAC was concerned about the optics of an overall eight percent increase in the budget, even though there was recognition that implementation of the CTP would require an initial increased investment in grant management and oversight, and even taking into account that the intention was to flat line the Secretariat budget in nominal terms and possibly reduce it in 2013 and 2014. Therefore, there had been additional discussions with the Secretariat and ultimately an agreement was reached to identify further savings and indeed flat line the budget in 2012, and to keep it that way for the next three years.

85. David Curry, Unit Director of the Secretariat's Finance Unit, provided further details about the budget.

86. In discussion, delegates commended the Secretariat for its willingness to identify additional savings in order to arrive at a real flat lined budget. One delegate expressed concern about even a temporary increase in the number of staff. Some delegates noted that the Board's decision about the budget should be based on a detailed Board paper and expressed concern about the fact that they had not been

provided with adequate information to be able to make a truly informed decision about the budget. One delegate reminded his colleagues that one of the main goals of the governance reform was to have fewer committees with fewer people, empowered to make decisions, with good consultation mechanisms through which to reach out and provide information in advance of Board meetings to those constituencies not represented on a particular committee.

87. In response, Mr Van Rooijen admitted that the number of staff remained a hotly debated issue, but emphasized that the Board itself had requested that the Secretariat implement the CTP as quickly as possible, recognizing that in the short term this would require some additional staff and some realignment of other staff.

88. He then explained why no detailed Board paper on the budget had been prepared, saying that the FAC meeting had been the last Committee meeting to take place, leaving too little time to prepare a more detailed paper, and noting that in the past many delegates had complained about the number and length of papers prepared for Board meetings. Therefore, the FAC felt that this time it would be sufficient to provide the Board with a less detailed presentation of the budget. He added, however, that he would be happy to provide any additional information to Board members if they clarified what information they were missing. Despite this, some delegates insisted that approval of the budget should be subject to the Secretariat providing a budget paper to be presented to the Finance and Operational Performance Committee and shared with the Board before the end of the calendar year 2011, and introduced an amendment to that regard. With that amendment, the decision point passed.

89. The Board Chair and Vice-Chair, joined by all Board members, thanks Mr Van Rooijen for his commitment and hard work during his many years on the FAC.

Decision Point GF/B25/DP15

- 1. The Board approves a budget ceiling for the 2012 Operating Expenses Budget in the amount of US\$ 369.9 million, as set out in Attachment 1 to the Report of the Finance and Audit Committee (“FAC”) to the Twenty-Fifth Board Meeting (GF/B25/14), based on the exchange rate outlined in Attachment 1 of the Report of the FAC (GF/B25/14) and subject to the Secretariat providing a budget paper to be presented to the Finance and Operational Performance Committee and shared with the Board before the end of the calendar year 2011.***
- 2. The Secretariat shall enter into a forward contract with a reputable bank and shall notify the Board of the budget amount at the exchange rate determined on the date of the signature of the forward contract in a paper submitted to the Board. The new amount shall thus be deemed to be the approved Operating Expenses Budget for 2012.***
- 3. The use of any amount in the US\$ 3.0 million contingency within the OIG budget for 2012 is conditional upon the advance approval of the Finance and Operational Performance Committee on the recommendation of the Audit and Ethics Committee.***

The budgetary implications of this decision amount to US\$ 369.9 million in 2012, which covers the cost of five additional staff positions for the Office of the Inspector General, one additional staff position for support

to the Board leadership for 2012, and the full-year cost of the 25 additional staff positions already approved under GF/B23/EDP/07.

Concluding Remarks

90. The Board Chair concluded by acknowledging how challenging the meeting had been, while emphasizing how much had been achieved, including in particular adoption of the new Global Fund Strategy and the CTP. He emphasized that, while the meeting might have been overshadowed by the cancellation of Round 11 and the other difficult financial decisions the Board had to take, the Global Fund now had a clear and compelling roadmap into its future. He highlighted how much had already been achieved in terms of implementing necessary reforms, but said that more would be needed to re-establish complete trust in the Global Fund and thus attract the resources that will be required to not only sustain existing life-saving programs, but also vastly scale up the right interventions, for the right people. He thanked all delegates for their commitment and willingness to compromise, and the Executive Director, Deputy Executive Director, OIG, and all the staff at the Secretariat for their hard work.

Other Agenda Items

91. The Board met in executive session on three occasions throughout the duration of the meeting.