

GF/B27/12
For Decision

Revision 1

REPORT OF THE TWENTY-SIXTH BOARD MEETING

PURPOSE: This document presents the draft Report of the Twenty-Sixth Board Meeting and includes all decisions made at that meeting as Annex 1. The Report of the Twenty-Sixth Board Meeting is subject to ratification by the Board of the Global Fund at its Twenty-Seventh Meeting in September 2012.

Accompanying documentation from the Twenty-Sixth Board Meeting is available at <http://www.theglobalfund.org/en/board/meetings/twentsixth/>

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Agenda Item 1: Opening

1. The Board Chair and Vice-Chair welcomed delegates to the “first Board Meeting of a new Global Fund”. The Chair recognized the commitment of Board delegates and the particular efforts of all past and present Global Fund staff during a period of much change, and their work with all of the actors within countries. He highlighted the need for any organization to learn, and looked forward to the Board deliberating on future directions at a strategic level. The Chair outlined the exciting achievements and challenges ahead, and ended by saying that he anticipated a special Board meeting would be helpful to the Board in September 2012 to accommodate a pace of change which he observed was “truly unprecedented in the international system”.
2. Dr. Reinhard Tittel-Gronefeld of the Germany (Canada, Switzerland) constituency was appointed as rapporteur (see *Decision Point GF/B26/DP1* in Annex 1).
3. The Board approved the meeting agenda (see *Decision Point GF/B26/DP2* in Annex 1).
4. The report of the Twenty-Fifth Board Meeting was approved with a revision requested by the Western Pacific Constituency (see *Decision Point GF/B26/DP3* in Annex 1).

Agenda Item 2: Organizing to Deliver and Implementing the Strategy

5. The General Manager, Mr. Gabriel Jaramillo, presented his report on organizational reforms and transformation achieved during his first 90 days in office, and outlined strategic directions for the year ahead¹.
6. In discussion, delegates thanked the General Manager for his candid, factual report and congratulated the Global Fund on swift and courageous reforms, laying the foundations for impeccable grant management. They requested that the Board and Committees to keep pace with the rapid reform and thanked the Chair and Vice-Chair for their “psychic strength” during the transformation. Delegates were pleased to see the Global Fund “getting better at saving lives” and commended the Global Fund for getting out the word to donors. Thus, Japan contributed its largest annual contribution in 2012 despite the disasters in 2011, and France re-iterated its support after the recent presidential elections. One member welcomed the success with diversifying the revenue base and commented on the decreased share of private sector contributions compared to previous years.
7. Several delegates made comments around tracking the transformation process. Queries included questions about: indicators used to evaluate success, a work plan for implementing the remaining elements of the Consolidated Transformation Plan, the need for financial accountabilities, the anticipated levels of overhead costs and when the Global Fund will address procurement and supply management issues and market dynamics interventions. UNITAID reaffirmed its commitment to collaborate in advancing the market dynamics work.
8. Commenting on staff restructuring, delegates highlighted the importance of attracting and maintaining relevant expertise and equity of staff composition, including

¹ GF/B26/02: Report of the General Manager. Available at www.theglobalfund.org

representation of women at the senior management level. One delegate mentioned the reputational impact of how the Global Fund is perceived to treat its own staff.

9. Delegates welcomed the increased focus on grant management, with 75 percent of the Secretariat resources devoted to that function. One delegate stressed the importance of serving implementers in high risk/high burden and small countries alike, another commented on the need to bring all re-allocated Fund Portfolio Managers up to speed with country-specific knowledge and skills. Several delegates were concerned about confusion in countries and disbursement delays as a consequence of the restructuring. They urged the Secretariat to re-build grant recipients' trust in the Global Fund to keep programs running, as it is the impact of these programs on which the Global Fund will be judged.
10. Delegates voiced concern about the positioning and visibility of civil society in the new Secretariat organogram and urged the Global Fund to make a clear commitment to civil society by introducing a strategy to engage it systematically in implementing grants, and to ensure that civil society expertise remain embedded in the Secretariat. Conversely, several delegates stressed the importance of working through national ministries to strengthen health systems and to leverage domestic funding, and of revitalizing Country Coordinating Mechanisms (CCMs) to play an effective role in maximizing impact. Recognizing the need for global partnerships, a number of delegates suggested the formation of a "new compact", convened by implementing countries, with international and regional donors, technical partners and bilateral institutions all working together to help build national strategies and systems that will enable countries to assume ownership of a sustainable response to the three diseases. This was described as a "leap in donor relationships" that pointed to the need for rapid information systems to enable a coordinated and ongoing focus on the highest-impact interventions. The UNAIDS investment framework was mentioned as a possible tool to maximize investment impact.
11. In response to questions on reform implementation, the General Manager clarified that the transformation plan is addressed in three broad work streams, of which the first (Organizing to deliver) is completed and the second (Quality and timeliness in proposal development and grant processing) is well under way, with Key Performance Indicators being tracked throughout. The third work stream focuses on simplification of in-country monitoring of grants and risk. He reaffirmed that the transformation will be accomplished within the approved operational expense budget and that he expects the overhead ratio to decrease as the number of positions will ultimately be reduced by 15%. He stressed that laying the foundations in terms of staffing has been the first priority because "people do things", and stated that procurement matters will be addressed from July 2012. Regarding resource mobilization, the General Manager said that he will engage the private sector during international fora.
12. On staff restructuring, the General Manager the Board that staff reallocation is now complete and has been conducted in line with good practice and UN tables of remuneration. He described measures taken to improve management "soft skills" throughout the Secretariat so that all staff can deliver outcomes in more effective ways. He said that the Global Fund's hiring strategy is to seek out the best talent from implementing countries in Africa and elsewhere, making sure to reach out to female candidates and the private and NGO sectors.
13. On grant management, the General Manager stated that the Secretariat is re-thinking processes completely to make them clear and simple, with clear communication on requirements and shorter disbursement timelines. He stressed that the Fund's is committed to work well with its Principal Recipients, be they government entities,

NGOs or civil society organizations, and is rethinking grant management to see “how we are going to do this so we can make their life better”.

14. In responding to the questions raised on the role of civil society, the General Manager said that “civil society is in our DNA”, as it has enabled the Global Fund to reach key populations and to get the best value for money. He assured delegates that civil society engagement, human rights, and actions associated with the sexual orientation and gender equity strategy will remain cross-cutting themes, with a core staff member for each theme and for each of the three diseases leveraging partnerships throughout grant-making processes. The General Manager affirmed that partners are central to implementing the new Global Fund strategy.
15. In concluding the session the Chair mentioned he had received early positive feedback from the field and was optimistic for the future - saying that the proof of successful transformation will be “a motivated, dynamic workforce delivering” with real impact on the ground. He noted the Board’s confidence in the General Manager’s experience to bring about this change. He also noted Board inputs on the need to ensure the Global Fund remained committed to civil society in all that it does, and he again thanked past and present Global Fund staff for their hard work.

Agenda Item 3: Risk Management

16. The newly appointed Chief Risk Officer, Mr. Cees Klumper outlined stakeholders’ roles in risk management. His overview included the points: implementers are responsible to manage risks in grant-funded programs; the Global Fund Secretariat ensures proactively that this actually happens; the Chief Risk Officer supports and challenges the Secretariat in doing so; and the Office of the Inspector General (OIG) tests the risk management systems by conducting audits or diagnostic reviews.
17. The Chief Risk Officer mentioned the six key risks identified by the Global Fund as a whole as: (1) fraud, (2) pharmaceutical supply management bottlenecks, (3) fragile IT systems and data, (4) inability to attract sufficient funding, (5) implementers’ dependency on Global Fund funding and (6) talent constraints in the organization. He added that the role of a Board is to set and understand the Global Fund’s risk philosophy, assess the effectiveness of the Fund’s risk management, review the risk portfolio against the Global Fund’s risk appetite, and be informed about significant risks and management’s response.
18. The Inspector General, Mr. John Parsons, presented his report of progress achieved since the last Board meeting².
19. In the discussion, a number of delegates commended the OIG for progress achieved in “turning the page” and improving relationships with the Secretariat and implementers, with some positive feedback from some of the recent audits. They encouraged the OIG to intensify its work with stakeholders, including CCMs and national audit offices. There was also support for the OIG’s emphasis on capacity building in recipient countries and reliance on peer reviewers. The Developing Countries NGO delegation offered to hold a risk management forum to share knowledge and experiences.

² GF/B26/03: The Office of the Inspector General Progress Report for November 2011-March 2012

20. Several delegates however cautioned against too much risk aversion and regretted the disruptive effects of “deep-frozen” funding in some countries awaiting the release of OIG reports. One delegate asked whether the decision to impose the additional safeguard policy³ in some of the countries in the region he represents would be revised.
21. Delegates asked for more specific information on a number of operational issues, including:
 - a. How countries are chosen for audits, and opportunities to react to the conclusions;
 - b. Details on the OIG’s budget and expenditures;
 - c. Recruitment and programmatic competencies of staff; and
 - d. When a multi-year audit plan will be shared with the Board based on requests made at previous Board meetings.
22. The Inspector General emphasized that interruptions to the delivery of life-saving drugs, were “something that we are all desperately concerned to avoid”. He explained that while countries are chosen for audits based on a risk model, the OIG also aims to “spread the word in terms of best practice” as seen for example in Rwanda and the Dominican Republic. He said that the OIG has public health and procurement specialists on its audit teams, and is also working closely with the Global Fund’s Technical Evaluation Reference Group (TERG) on evaluating programmatic aspects. He welcomed the Developing Countries NGO Constituency’s suggestion to meet with implementers. He noted that Board Members are welcome to attend closeout sessions of OIG audits as observers. It was noted that support might be required to ensure equitable opportunities to enable the Board to avail itself of this opportunity.
23. Responding to requests for more detail on OIG finances and audit plans, the Inspector General clarified that his report is intended as a first progress overview and that the OIG will share full information on the office’s operating costs, planning (including multi-year audit plan) and outcomes with the Board through the newly constituted Audit and Ethics Committee (AEC).
24. Questions were addressed to the Secretariat on how it will follow up systematically on OIG recommendations, and how it will revise the LFA function. In response, the Chief Risk Officer said that he will maintain a constant feedback loop with the OIG to ensure that lessons are learned and implemented. In addition, he explained that he will be working with the OIG in preparing to revise LFA contracts as they come up for renegotiation.
25. Delegates discussed a number of complex questions of risk management, including:
 - a. How to balance risk minimization against continuation of services;
 - b. How to share risk management responsibilities effectively with implementers;
 - c. Whether countries should be held accountable for failures of individuals;
 - d. How to integrate risk management and capacity building measures of all national, bilateral and international actors;
 - e. How best to tailor risk management to country contexts;

³ Adopted at the Seventh Board meeting to provide an alternative funding mechanism when a Principal Recipient operates in conditions where Global Fund financing could be jeopardized

- f. How to define and verify accountabilities in practice for example in civil society programs; and
 - g. How the Global Fund will ensure assessment and monitoring of human rights.
26. The Chief Risk Officer gave his perspective on these issues by pointing out that proactive risk management systems will minimize failures and will thus help to avoid dilemmas such as freezing of funds or applying the Additional Safeguard Policy in the future. He said that the Secretariat is working on a differentiated operational risk management framework that is both consistent and flexible enough to make sense for each particular country, and assured the Board that OIG experiences will be used in completing this work. Lastly, he pointed out that all risks are measured in relation to achieving the goals defined in the Strategy, and that human rights will be assessed as a key goal.
27. In concluding the session the Inspector General reminded delegates that OIG audit reports are available on the Global Fund's website in accordance with its disclosure policy, and provide a rich source of information on how risks are managed in grant-funded programs.

Agenda Item 4: Trustee Report and Approval of the 2011 Annual Report

28. On behalf of the World Bank, Ms. Veronique Bishop presented the report of the Trustee⁴. She described the available cash balance at the end of 2011 as "comfortable", amounting to the equivalent of one year and eight months' disbursements based on 2011 levels, and assured the Board that the portfolio is allocated prudently to maximize returns, subject to protection of capital over the three-year investment horizon. In response to questions she clarified that the recent contribution of USD 750 million from the Bill and Melinda Gates Foundation is an unqualified multi-year contribution against which the Global Fund can fully commit, and which it can draw down ahead of schedule if its cash balance falls below six months' worth of expected disbursements.
29. The interim Chief Financial Officer, Mr. Charlie Johnson, and the Finance and Operational Performance Committee (FOPC) Chair, Dr. Viorel Soltan, informed the Board of a decision taken at a recent FOPC meeting to approve the internal transfer of an amount up to US\$ 7.6 million to the Global Fund Provident Fund to restore losses incurred due to foreign currency fluctuations. The amount would be absorbed within the Board-approved 2012 Operating Expenses budget, and the FOPC would be informed of the actual amount of the transfer upon the completion of final calculations, which occurred on 4 June, 2012.⁵
30. Based on the FOPC's broader discussion on financial oversight, the Committee Chair then proposed a decision point to clarify the Committee's decision-making authority on adjustments within the Secretariat's annual operating expenses budget within the fiscal year. The decision passed without discussion⁶ (see *Decision Point GF/B26/DP4 in Annex 1*).

⁴ GF/B26/07: Trustee Report. Available at www.theglobalfund.org

⁵ For more information, see GF/B26/10 Revision 1: Finance and Operational Performance Committee Decisions and Recommendations to the Board, Part 7.

⁶ Refer to the same material as Footnote 5

31. The FOPC Chair noted that an electronic decision point to approve the 2011 Consolidated Financial Statements and Annual Report would be presented to the Board after the Twenty-Sixth Board Meeting, once the external auditors confirmed their original unqualified audit opinion. The Board approved the 2011 Consolidated Financial Statements and Annual Report on 31 May 2012⁷.

Agenda Item 5: Forecasting Resources for the Future

32. The interim Chief Financial Officer presented a three-year forecast of uncommitted assets available to finance new funding opportunities⁸. He noted that the “uncommitted balance” fluctuates around roughly US\$ 1 billion over the three year period, closing at US\$ 1,055 million as at 31 December 2014. The Board was briefed on the new methodology that produced this forecast, including monthly forecast updates being reviewed on a rolling basis by the FOPC. The Chief Financial Officer cautioned that the forecast will show fluctuations on a monthly basis and that more certainty will be obtained as the process gets more sophisticated over time. Higher revenues and lower expenditures than anticipated at the last Board meeting are forecast for a number of reasons, including but not limited to:
- a. Amount and timing of contributions, as confirmed by donors in writing;
 - b. Cancellation of exception extension funding (GF/B25/DP16) and incorporation of continuity of services needs into the Transitional Funding Mechanism;
 - c. Reduction in expected commitments under the transitional funding arrangements allowable under GF/B25/DP16;
 - d. 75 per cent Upper Middle Income Countries and 90 per cent Low-Income / Lower Middle Income Countries funding limitations on all renewals to implement GF/B25/DP16⁹;
 - e. Higher than forecasted de-commitments on expiring grants;
 - f. Projected increase in efficiencies on upper-ceiling amounts approved for Round 10 grants.
33. The interim Chief Financial Officer also explained that: (i) the uncommitted balance excludes US\$ 615 million for the Transitional Funding Mechanism and a reserve of US\$ 500 million as volatility or unanticipated risk provision; and (ii) funding decisions on the Affordable Medicines Facility for malaria (AMFm) initiative for 2011 will not affect the available balance, as AMFm funding is “ring-fenced” for the time being. He concluded his comments by noting that the Secretariat will continue to refine the underlying assumptions over the coming months.
34. Delegates thanked the Secretariat and the FOPC for this work, and stressed the importance of tracking expected amounts against actual revenues and expenditures to identify the factors that cause the most uncertainty. One delegate requested the General Manager to provide for the next Board meeting a blueprint for an integrated information system to facilitate needed analyses. Suggestions to reduce uncertainty levels included hedging foreign exchange volatility at donor and/or Global Fund level, and incentivizing donors to deliver on pledges. There was some discussion around the level of the contingency reserve. Several delegates highlighted the need to consider forecasts in the context of future spending.

⁷ Decision Point B26/EDP/1: Approval of the 2011 Consolidated Financial Statements and Annual Report

⁸ GF/B26/05: Forecast of uncommitted assets

⁹ GF/B25/DP16: Modification of Grant Renewals and Transition to New Funding

35. The General Manager acknowledged that the Fund's information systems need significant improvements. However, he pointed out that "it's not as simple as getting somebody to buy [the system]". Rather, a suite of financial systems must be implemented from within the organization, a development that will not realistically be possible until the next Board Meeting. As for the uncertainty of the forecast, he pointed out that this was increased due to the concentrated nature of the Global Fund's revenue source and affirmed his commitment to rethink fundraising strategies to diversifying the sources of contributions.

Agenda Item 6: 2012 Projected Expenditures

36. The Deputy General Manager, Dr. Debrework Zewdie, gave an overview of expenditures projected for 2012 in two areas:
- a. By 30 April 2012, the Board had approved renewals of 26 grants with a total of US\$ 619 million in incremental funding, in addition to US\$ 547 million previously committed for these grants available from the Phase 1 budget. This means that the total Global Fund investment for these 26 grants for the next implementation period is approximately US\$1.16 billion. Of the total incremental amount, over 95 percent will go to low income countries. The share of the 20 high impact/high burden countries is 75 percent. By disease categories, 66 percent of the total incremental amount is for HIV-related programs, five percent for tuberculosis and 28 percent for malaria.
 - b. Under the Transitional Funding Mechanism, 61 applications totaling US\$ 615 million have been received. Subject to technical merit, these requests could be funded in full (or to the amount recommended) and will be reviewed by the Technical Review Panel in June. Forty-one percent of the amount has been requested for HIV-related programs, 21 percent for tuberculosis and 38 percent for malaria. Twenty-five applications totaling two thirds of the demand are from countries of the WHO African region.
37. The need for the Global Fund to engage in two important discussion and decisions about future funding opportunities was discussed: (1) Accelerating the implementation of the Global Fund Strategy and (2) Upcoming grant renewals.
38. On accelerating implementation of the Global Fund Strategy, the Chair welcomed the news that improved financial forecasting and ongoing transformation of the Global Fund has meant that there are more funds available than had been previously reported to the Board. He then tabled for discussion a draft decision point that a number of constituencies had been developing and wished the Board to consider an approve to send a clear signal that the Global Fund is moving forward with ambition and pace to deliver on the new strategy. The draft called for approval of new funding modalities at the September 2012 Board meeting. In his introductory comments, the Chair confirmed the Global Fund's commitment to work with countries and partners to identify and address unmet needs. He added that all investments – including grant renewals, the transitional funding mechanism, and any new funding opportunities - will be guided by the Global Fund Strategy so that they achieve, over the next decade, the impact that the Global Fund is renowned for.
39. In the discussion, delegates supported the underlying principles of the decision point, confirming broad enthusiasm for the Global Fund to provide clarity on how funding would be provided moving forward. However several delegates also called for prudent decisions to be made at the meeting to ensure that the Global Fund can live up to

expectations, and that there is an exit strategy in countries when Global Fund finance runs out. Board delegates acknowledged the challenges of designing and implementing a truly new funding model within short timelines, and of transitioning smoothly from the previous round-based architecture. They emphasized the need for broad consultation with partners to ensure complementarity and to set priorities, with some “tough choices” to be made.

40. The General Manager said that “this is a fantastic moment, and we take that challenge”. He added that the Secretariat and the Strategy, Investment and Impact Committee (SIIC) will work together to present a new funding mechanism or mechanisms for Board approval in September or October this year, so that new funding can be provided as soon as possible in accordance with the 2012-1016 Strategy.
41. The SIIC Chair said that committee members were ready to support the work effort required to develop the new model(s) that provides “a much simpler view of how to support countries”. He assured the Board that the Secretariat and the SIIC will engage with countries and partners to make sure that the ideas generated “work in the real world”. He shared delegates’ enthusiasm about this new funding opportunity, but reminded them that more funds were needed to just sustain past gains in fighting the three diseases.
42. After a number of amendments reflecting the Board’s discussions, *Decision Point GF/B26/DP6* (see Annex 1) passed.
43. Regarding rules governing grant renewals, the Board noted some unintended consequences of implementing the “55 percent rule” decided at the last Board meeting¹⁰. Using the Chair’s prerogative, the Board Chair tabled a decision point to respond to inputs from delegates during the meeting, including possible draft decision points that a number of delegates had shared with the Board Chair during a recess. Framing the discussion, the Board member of the Developed Countries NGOs constituency highlighted that the rule does not take into account disease burden and unmet needs in countries that are not low-income, and has some negative impact on achievement of the targets of the Global Fund Strategy. He reminded the Board that the majority of HIV-positive people and tuberculosis patients today live in middle income countries, which include nine of the ten countries with the highest burden of tuberculosis. He gave the examples of Zambia, Côte d’Ivoire, Swaziland, Moldova, Senegal and the Republic of Sudan. He stated that these countries may lose up to one third of their grant renewal funding based on a 75 percent ceiling and then, from experience, further reductions due to application of performance based funding principles that see only “A” rated grants have the prospect of receiving funds close to ceilings operating from time to time. He stressed the demotivating effect on countries and NGOs working on the ground, and the key risk that funding shortfalls brought to core prevention strategies that are essential to achieving real impact in most affective population groups. He relayed feedback from the field that countries were taking out proven HIV prevention activities just to keep anti-retroviral treatment in grants because of the unexpected new ceilings.

¹⁰ Board Decision GF/B25/16 specifies that: “The total funding approved for grant renewals for Low Income Countries will be no less than 55% of any annual funding window”. A mechanism was then introduced to help implement the rule, capping funds for middle income countries at 75 percent of approved renewal funding (as opposed to 90 percent for low income countries).

44. In the discussion, delegates recognized that the implementation of the 55 percent rule potentially disadvantages people in need and affects, in relevant settings, strategic investments for improved outcomes. Two constituencies cautioned against reversing on a rule which had been introduced to drive resources toward the places with the greatest need, and which had been effective to increase donor contributions. They suggested to instead remove the capping of approved grant funds, one of the mechanisms through which the rule is implemented. It was noted that removing that ceiling would reduce the amount of funding available for new opportunities. Delegates felt that they required more information on countries' ability to provide domestic funding and on the rule's effects on key target populations. One delegate requested that the effects of the rule's removal should be analyzed in the light of interactions with other provisions of the very same decision point they were now considering to amend.
45. After additional discussion, the Board agreed to freeze continued implementation of the 75 percent ceiling on grant renewal funding for Lower-Middle Income countries and above, and to request the SIIC to make a recommendation to the Board at its next meeting based on further analysis. After amendment to reflect the Board's discussions, *Decision Point GF/B26/DP7* (see Annex 1) passed.

Agenda Item 7: Delegations of Authority for Efficient Grant Management

46. The Chair and Vice-Chair of the SIIC introduced a decision point on delegation of authority and operational flexibilities requested by the Secretariat¹¹. The SIIC Chair outlined the five areas in which the Secretariat has requested authority and flexibilities as stated in paragraph 2 of the Decision Point. He explained that the SIIC has endorsed this request, which is consistent with the reformed roles of the Board and senior grant management staff at the Secretariat, and which concerns decisions that had invariably been approved by the Board in the past. He added that the SIIC had included provisions of caution, senior management oversight, and annual reporting in paragraphs 3 and 4 of the decision point. He reaffirmed the Global Fund's commitment to speed up grant management processes, and anticipated that new funding modalities would make some of the requested flexibilities redundant.
47. In discussion, the SIIC Chair provided some requested clarifications. Delegates reiterated their wish to see fast, non-bureaucratic grant management processes and expressed their trust in the Committee's oversight. One delegate requested to introduce a "sunset clause" for the Board to review this decision. The SIIC Chair responded that at its June 2012 meeting the SIIC will propose a date within the next two years when it will bring a follow-up recommendation on this decision back to the Board.
48. Broadening the discussion to governance oversight in general, two delegates suggested that there should be a follow-up system to track commitments made at Board meetings and to ensure that successive decisions taken are not contradictory. The Board Chair responded that, as part of the ongoing governance reform, the Board will develop explicit mechanisms to do this.
49. Based on the SIIC's recommendation and safeguards incorporated in the decision, *Decision Point GF/B26/DP5* (see Annex 1) passed.

¹¹ See also GF/B26/09, Strategy, Investment, and Impact Committee Decisions and Recommendations to the Board

Agenda Item 8: Executive Director Selection

50. As he opened discussion on the topic, the Board Chair said “This is probably one of the most strategic things we will do as a Board”. Before inviting discussion, he reviewed the steps taken by the Board Chair and Vice Chair since the Board’s Retreat in March 2012. These included a Board leadership’s paper on 3 April 2012 to summarize the Retreat inputs; teleconferences with Board Members or other delegates to provide inputs on key topics; circulating a draft of the Board paper for additional inputs; and collating inputs, and presenting the final Board paper.
51. The Chair noted that the paper presented the Board with:
 - a. Proposed terms of reference for a 2012 Executive Director Ad-Hoc Nominations Committee (AHNC) with some areas for additional input;
 - b. Suggested key competencies for the Executive Director with an order of priority that the Board had emphasized during the input phase; and
 - c. A high-level timeline of key steps required to be undertaken to enable the Board to make its non-political appointment decision based on a transparent and competitive process as required by the Bylaws.
52. Delegates discussed a number of important questions around formation of the AHNC, the timing of its work, and the composition of the short-list of candidates that the Board would ultimately consider.
53. On the formation and leadership of the AHNC, delegates discussed the optimal number of members, and the balance of constituency nominated persons, and then independent non-constituency affiliated members. The consensus position was that a nine member committee was optimal, with a greater number of constituency nominated persons to bring to the committee’s work the broad perspectives that make up the Global Fund model, but at the same time having fresh views with significant gravitas from three independent members.
54. There was also discussion around the most appropriate mechanism to select the independent members to join the six constituency affiliated members. After sharing an initial proposed methodology, and discussion following on enhancements that could be made to the process, the Board Chair noted the Board’s preference for a model where the six constituency affiliated members made this selection, and reported through to the Board.
55. At this time, the Board Chair received advice from the Chairs of the donor bloc and implementer blocs of the Board that they had respectively identified three persons from each bloc to serve on the AHNC. It was noted by the Board Chair that the proposed terms of reference of the AHNC on the table for Board approval confirmed that the six persons would serve in their personal capacities, even though their nominations had come through their affiliated constituencies.
56. Discussion then followed on the leadership of the AHNC. There were a number of views presented, with the two most predominant ones being: (1) that a non-constituency affiliated Chair would send a clear external signal of the Board’s intent for the selection decision to be made according to the best possible processes. Those who preferred this approach, including the Private Foundations and the Developing Country NGO constituencies, emphasized that an ‘independent person’ would be best placed to be the conduit through which information was shared with the Board throughout the AHNC’s work. It was noted that an independent Chair model worked well for the High Level Panel, and there was merit in replicating this here to avoid

external adverse inferences on whether the search process was politically influenced; and (2) a constituency affiliated person, who knew the Global Fund well, would have a sound understanding of the issues presenting the Fund. They could, therefore, help guide the work of the AHNC and provide important clarifications for their work along the way. In addition, there was the perception that asking a new person to take on the significant coordination that comes with the role of a Chair, when none of the AHNC members would be remunerated, was an unreasonable burden on persons contributing their valuable time.

57. Delegates discussed the relative strengths of both options, and then the question of who should make the decision on either approach. As the discussions progressed, it was recognized that, ultimately, the nine member AHNC would need to work collaboratively. In this context, the delegates accepted that tasking the AHNC to select their own Chair from amongst the Group was an appropriate way to stimulate that collaboration from an early time.
58. On the timing of the AHNC's work, discussion centered on the most realistic and appropriate timeframe for making this important appointment. There was agreement that the latest date that the Board will make its decision on the Executive Director is at the already planned meeting in mid-November 2012. As the Board Chair had opened the meeting with the suggestion that the Board may wish for a September 2012 meeting, one delegation recommended that there be flexibilities in the work of the AHNC to allow for the possibility of the Board making its appointment in September if possible. The constituency emphasized that they firmly adhered to the principle that this should only be done if it did not in any way impact the integrity or transparency of the appointment process.
59. On the composition of the short-list of candidates, the Board asked itself important question on how to ensure gender diversity in the persons under consideration? Ambassador Mireille Guigaz, who represents France on the Board and who is one of six Board constituency members chosen for the nominations committee, challenged the Board to say that the short list should include two women and two men. "If we do not firmly say that we will be able to find women, if we don't say that openly, we will not get the [diversity]...that we want," she said. She added. "We know how women are absolutely fundamental in the success of health initiatives" and "We have to be exemplary." The Board agreed that the Global Fund must take a leading position on gender diversity at the Board and in the Secretariat. The Board's final formation was that the short list of up to four persons must have at least as many women as men. This means that there can be more women on the short list, but not the reverse.
60. Based on the discussions during the interactive session, and taking into account inputs received on key questions for the Board, *Decision Point GF/B26/DP8* passed.

Agenda Item 9: Phase 2 Governance Reforms

61. The Vice Chair explained that the session on Phase 2 of governance reform would be shortened as there had been two sessions on that subject during the pre-meeting day. She gave a short overview of the process that she and the Board Chair plan to employ in order to move Phase 2 of governance reform forward and asked that all constituencies support their governance focal point to engage in the important discussions that would be taking place.
62. Following this presentation one delegate requested that the Vice Chair share a work plan on Phase 2 governance reform. In addition, one delegate asked that during the reform process there should be a review of how youth could be brought in more fully to

the work of the Global Fund; and one delegate asked that the governance reform process provide clarity on how the Global Fund can better leverage partners working in implementing countries. The Vice Chair agreed that these issues would all be looked at.

Other agenda items

63. The Board met in Executive Session in the evening of the first day.

Meeting Wrap-Up and Closure

64. The Chair and Vice-Chair thanked delegates for a very productive meeting in an “exceptionally good spirit”, and thanked the General Manager and the Secretariat once more for their commitment and hard work. He expressed his excitement about the decisions made at this meeting. He also highlighted additional points to be taken forward, including the issue of ensuring that the Global Fund better communicated that it was committed to a continuing strong partnership with civil society as the Global Fund continued to transform and change to be a better organization and achieve even greater impact.
65. He ended by confirming that there appeared to be broad support for an additional Board meeting in September 2012, and acknowledging the “enormous amount of work to do” for the Secretariat and the Committees before that meeting. The Board Chair and Vice Chair again thanked the Global Fund staff, the Board and the advisors to the Chair and the Vice Chair for their support.

Decision Points of the Twenty-Sixth Board Meeting

GF/B26/DP1: Appointment of Rapporteur

Dr. Reinhard Tittel-Gronefeld from the Germany (Canada, Switzerland) constituency is designated as rapporteur for the Twenty-Sixth Board Meeting.

GF/B26/DP2: Approval of Agenda

The agenda for the Twenty-Sixth Board Meeting (GF/B26/01) is approved.

GF/B26/DP3: Approval of Report of the Twenty-Fifth Board Meeting

The report of the Twenty-Fifth Board Meeting (GF/B25/08 Revision 1) is approved.

GF/B26/DP4: Decision-Making Authority on Adjustments within the Operating Expenses Budget

1. The Board affirms the Finance and Operational Performance Committee (the “FOPC”) is authorized to approve operating expenditures that do not result in an increase in the amount of the Board-approved operating expenses budget for any financial year.
2. The FOPC is authorized to establish a framework to determine when decision-making authority on adjustments, reallocations or additions to the operating expenses budget may be taken by the Secretariat or FOPC provided that:
 - a. such decision does not result in an increase in the operating expenses budget approved by the Board for the relevant financial year;
 - b. the FOPC shall consult with the Secretariat to develop appropriate criteria and thresholds within such criteria to establish this decision-making framework; and
 - c. decisions taken by the Secretariat shall be reported to the FOPC and decisions taken by the FOPC shall be reported to the full Board.

GF/B26/DP5: Delegation of Authority to Secretariat for Grant Operations

1. The Board notes that:
 - a. it has previously made decisions restricting the timeframe for signing grant agreements, placing parameters around the flexibility to set grant start dates, limiting the ability to extend the total length of a grant, and detailing the process for Phase 2 and Periodic Reviews;
 - b. the principles surrounding these decisions remain valid and support the Global Fund’s mandate to efficiently and effectively provide funding to programs while ensuring that only strategic, cost-effective investments are made; and

- c. while the general principles remain valid, there is a need to allow for additional flexibilities, where necessary, to ensure the Secretariat is able to independently respond to grant specific needs while managing day-to-day grant management operations.
 2. In order to address certain operational constraints and increase the efficiency and effectiveness of the Secretariat in grant management operations, the Board:
 - a. further delegates to the Secretariat, in line with the authorities provided under GF/B24/EDP/4, the authority to approve extensions of up to three months to the signing timeframe for future approved proposals on an exceptional case-by-case basis and only in situations in which there is a strong justification for granting an extension;
 - b. extends the authorities provided under GF/B24/EDP/7 by delegating to the Secretariat the authority to make exceptions, due to operational needs, to the general principle that grant start dates should not be set beyond 15 months, or 18 months, as applicable, after Board approval of a proposal; so long as no exception results in a grant start date being set beyond 22 months after Board approval of a proposal;
 - c. delegates to the Secretariat the authority to make exceptions, due to compelling circumstances, to the existing policy which only allows for a maximum extension period of six months to the total length of a grant's implementation period, at the end of a program; so long as any extension does not lengthen the total implementation period by more than twelve additional months; and
 - d. delegates to the Secretariat the authority to, on an exceptional case-by-case basis:
 - i. provide additional no-cost extensions to the current grant implementation period during the renewals process, based on specific grant related circumstances, to allow for continued grant implementation; and
 - ii. amend conditions upon which the Board has conditioned the approval of incremental funding where necessary to account for changes in circumstances; so long as measures are available to effectively mitigate the risk addressed in the condition.
 3. In order to ensure proper oversight, the Secretariat must limit the ability to approve the use of the delegations of authority granted above to the appropriate panel or committee of senior managers within the Secretariat.
 4. The Board requests that the Secretariat prepare a report twice a year detailing any exceptions or extensions approved in connection with this decision point and submit such report to the Strategy, Investment and Impact Committee (the "SIIC") for review. The first such report will be submitted to the SIIC prior to its first meeting in 2013.

GF/B26/DP6: Accelerating Implementation of the Global Fund Strategy

1. Given the new and encouraging financial forecasts presented to the Global Fund's Board at its Twenty-Sixth Meeting in Geneva in May 2012, the Board decides to accelerate the implementation of the new Global Fund Strategy 'Investing for Impact' by opening new funding opportunities starting in late September 2012 to allow for Board funding decisions to be made no later than the end of April 2013.
2. The Secretariat, under the guidance of the Strategy, Investment and Impact Committee ('SIIC'), will design in consultation with countries, partners and other stakeholders, the elements of the new funding models, including the structure and parameters of the new 'iterative process', options for distribution of funds available, and other elements, and the SIIC will bring its recommendation to a special Board meeting in September 2012.
3. The Finance and Operational Performance Committee will work with the Secretariat to test the resource forecasting model on a monthly basis and confirm the resource forecast in September 2012.
4. As soon as possible, and under the oversight of the SIIC, the Secretariat will work with countries and partners to develop estimates 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 and take into account existing resources available in country, by September to inform the Board and other stakeholders and to aid replenishment.
5. The new funding models will be developed in line with the new Strategy and the principles articulated in the Framework Document that the 'Fund will base its work on programs that reflect national ownership and respect country-led formulation and implementation processes'.
6. It is envisaged that this will :
 - a. create a specific opportunity for countries to assess the gap between national coverage levels for the 3 diseases and actual need;
 - b. permit the establishment of multiple funding opportunities per year and have a mechanism that allows for high quality, grant ready proposals to be financed as funding becomes available ;
 - c. ensure a comprehensive and specific analysis of complementarity among funders; and
 - d. increase the sustainability of Global Fund supported programs.

GF/B26/DP7: Modification of Rules Governing Grant Renewals

The Board:

1. Refers to its decision on the Modification of Grant Renewals and Transition to New Funding (GF/B25/DP16) which, among other adopted measures, required that the total funding approved for grant renewals for Low Income Countries be no less than 55% of any annual funding window (the “55% Rule”);
2. Acknowledges that the 55% Rule is intended to drive resources toward the places with the greatest need and least ability to address the three epidemics, and that existing policies, including the Policy on Eligibility, Counterpart Financing and Prioritization, already shape the Global Fund portfolio by directing resources and requiring middle-income implementing countries to contribute financial resources to the response;
3. Notes unintended consequences of the 55% Rule and some negative impact on achievement of the targets of the Global Fund Strategy and on vital programs targeted for the poorest people in lower middle-income countries; and
4. Directs the Secretariat to develop further analysis of the 55% Rule in consultation with the Strategy, Investment, and Impact Committee at its next meeting, with a recommendation to the Board before its November meeting. Until that time, the Board decides to freeze the implementation of the 75% ceiling on grant renewals funding for Lower-Middle Income Countries and above (including on the four approved grant renewals affected by its implementation).

GF/B26/DP8: Launch of the Selection Process for the next Executive Director

The Board:

1. Establishes an ad hoc nominations committee (‘AHNC’) to assist the Board with its selection of the next Executive Director.
2. Notes the constituency nominations for members of the AHNC, and appoints the following individuals as members, each serving in his or her personal capacity:

Don Baxter
Agnes Binagwaho
Karlo Boras
Nils Daulaire
Mireille Guigaz
Masaki Noke

3. Requests the AHNC to initiate the selection process in accordance with its Terms of Reference, including the timely appointment of three non-constituency affiliated members to facilitate the work of the AHNC.