

REPORT OF THE TWENTY-NINTH BOARD MEETING

Purpose:

1. This document presents the draft Report of the Twenty-Ninth Global Fund Board Meeting, held in Colombo, Sri Lanka, from 18-19 June 2013. It includes all decisions made at that meeting as Annex 1.
2. The Report of the Twenty-Ninth Board Meeting was ratified by the Board of the Global Fund at its Thirtieth Meeting in November 2013 (decision point GF/B30/DP3).
3. Accompanying documentation from the Twenty-Ninth Board Meeting is available at <http://www.theglobalfund.org/en/board/meetings/twenty ninth/documents/>

Table of Contents

Agenda Item 1: Opening	3
Agenda Item 2: Evolving the Global Fund's operations	3
Agenda Item 3: Seizing the opportunity-moving from science to impact.....	5
Agenda Item 4: Establishing the principles for grant making activities: Session 1 – Update on the implementation of the New Funding Model.....	11
Agenda Item 5: Risk Oversight	14
Agenda Item 6: Appointment of the Inspector General of the Global Fund.....	17
Agenda Item 7: Financial Oversight	18
Agenda Item 8: Performance: Setting Re-purposed Key Performance Indicators	19
Agenda Item 9: Setting principles for the Board, its Committees and Advisory Bodies.....	20
Agenda Item 10: Establishing the principles for grant-making activities: Session 2 – Areas for Additional Work.....	21
Agenda Item 11: Meeting conclusion	25
Annex 1 – Decision Points of the Twenty-Ninth Board Meeting.....	27
Decision Point GF/B29/DP1: Appointment of Rapporteur	27
Decision Point GF/B29/DP2: Approval of Agenda	27
Decision Point GF/B29/DP3: Approval of Report of the Twenty-Eighth Board Meeting....	27
Decision Point GF/B29/DP4: Appointment of the Inspector General	27
Decision Point GF/B29/DP5: Approval of the 2012 Annual Report.....	27
Decision Point GF/B29/DP6: Appreciation of Outgoing Chair and Vice-Chair of the Board.....	27
Annex 2 – Action Sheet.....	28

Agenda Item 1: Opening

1. The Board Vice-Chair, Dr Mphu Ramatlapeng, welcomed delegates to the Meeting – the last one before she and the Board Chair, Mr Simon Bland would step down after their two-year term.
2. Ms Lucy Chesire, Board Member for the Communities Delegation, lit a candle in memory of those who had passed away due to AIDS, tuberculosis and malaria, and paid tribute to the work of Shivananda Khan OBE, founder of NAZ Foundation International, who had worked tirelessly to champion the rights of men who have sex with men until his death in May 2013.
3. Following the traditionally-observed moment of silence, Mr Bland thanked the Government and people of Sri Lanka for hosting the Twenty-Ninth Board Meeting, as well as His Excellency Mahinda Rajapaksa, President of Sri Lanka, and the Ministry of Health for the traditional reception to which all delegates had been invited the previous evening. He welcomed Dr Nafsiah Mboi, Minister of Health of Indonesia and Ambassador Mireille Guigaz, who would take over the leadership of the Board as Chair and Vice-Chair respectively at the end of the two-day meeting.
4. Dr Aziza Bennani from the Eastern Mediterranean Constituency was appointed as Rapporteur for the meeting (Decision Point GF/B29/DP1).
5. The Board approved the draft meeting agenda¹ (Decision Point GF/B29/DP2).
6. The Board approved the report of the Twenty-Eighth Board Meeting² (Decision Point GF/B29/DP3).
7. After noting that one of the most important decisions that the Board would take at the meeting was appointing the next Inspector General, the Board Chair then listed follow up actions and their status emanating from the previous Board Meeting (see Annex 2). He added that the incoming Board Chair and Board Vice-Chair should monitor the progress made on Board Decisions and action points that emanate as a result of Board discussions. One month prior to each Board Meeting, this action sheet would be reviewed and circulated to the Board for information.

Agenda Item 2: Evolving the Global Fund's operations

8. The Board Chair welcomed Dr Mark Dybul to his first Global Fund Board Meeting as Executive Director, and expressed his appreciation of the progress already achieved since the Executive Director took up his appointment in January 2013, including the preparatory meeting for the Fourth Replenishment held in Brussels earlier this year in March. He then invited Mr Gabriel Jaramillo to provide the Board with some reflections looking back on his year as General Manager of the Global Fund.
9. Mr Jaramillo thanked the Board and the Board leadership for the opportunity to have served as General Manager for a “rather critical year in terms of a very challenging agenda in moving the Fund forward into a more sustainable institution, away from the emergency response that was originally envisioned for the first 10 years.” In addition to his written report to the Board, he added changes that the organization underwent last year meant that it was unlikely that similar problems would occur in the future. He highlighted what he considered as key accomplishments, including strengthened

¹ GF/B29/01, Agenda, Revision 1

² GF/B29/03. Report of the Twenty-Eighth Board Meeting

fiduciary controls and financial systems, the creation of the Audit and Ethics Committee ('AEC') with an external independent chair and a majority of external independent members, the focus on risk and the design of the new funding model. In closing, he added that creating and working in an atmosphere of trust between governance and operational entities was essential for the successful functioning of the Global Fund.

10. The Executive Director then took the floor and expressed his gratitude to the government and the people of Sri Lanka for hosting the Twenty-Ninth Board Meeting. He thanked the Chair and Vice-Chair of the Board for their leadership over the past two years, and acknowledged the involvement of Board Members, Board Committees and Partners in the different discussions that had contributed to the decisions taken by the Board, and the progress made towards the establishment of an environment of trust, as mentioned by Mr Jaramillo.
11. He also paid tribute to the hard work and commitment of the Secretariat and welcomed the new Directors of the Strategy, Investment and Impact, and Human Resources Divisions. The current Dutch AIDS Ambassador Marijke Wijnroks was introduced as the incoming Chief of Staff, and former Global Fund staff member Kate Thomson was welcomed back on secondment from UNAIDS as the head of a new hub focusing on civil society and human rights, key populations and gender.
12. Dr Dybul then spoke about the transformation the organization had begun in 2011 which had brought about a new Global Fund with reformed governance structures, a more focused Secretariat and a strong forward trajectory towards the implementation of a new funding model. He expressed his expectation that the pace and scope of work would increase as the transition to the new funding model gathered momentum, and its implementation would allow the Global Fund to play a fundamental role in the historic objective of controlling HIV, tuberculosis ('TB'), and malaria, while building health systems, contributing to national health strategies, and strengthening human rights.
13. The success of the new funding model was based on three important areas – partnership, predictability/timing of funding, and as a platform for health that is wider than HIV, TB and malaria alone. The Global Fund was created as a partnership organization, and establishing and maintaining good relationships with partners is vital, particularly at country level. Predictability of funding and timing are of prime importance to countries, and the Global Fund and countries will work together to ensure that funding applications are submitted with a full expression of demand in accordance with country schedule. This shift away from the "Rounds-based system" also gives the scope to look further than HIV, TB and Malaria – to see how the consolidated resources from the Global Fund, partners and countries can be used together to bring about the greatest impact across not only HIV, TB, and malaria, but health more broadly.
14. Dr Dybul outlined some of the other areas in which the Secretariat had been working – many of which also support the new funding model. These include a greater emphasis on impact using epidemiology and data, programmatic reviews using indicators that focus on outcomes, and approaching investment decisions more effectively through the Grant Approvals Committee (GAC, formerly the "Phase 2 Panel"). Increased awareness of value for money and risk management, and the introduction of a streamlined financial system will also support strengthened management of resources to maximize impact.
15. In response to the presentations by the General Manager and the Executive Director, all Board Members took the floor with observations, comments and questions. Without

exception, all speakers thanked Gabriel Jaramillo for his service and dedication and Mark Dybul for “hitting the ground running” so quickly in taking over the helm of the organization.

16. A number of Board members took the opportunity to reiterate specific concerns relevant to their constituency, the following themes are notable as they were echoed by various Board members who took the floor:

- The need for continued work, vigilance and emphasis on the Global Fund’s engagement with civil society in their role in the Global Fund’s “eco-system” as recipients, advocates and populations in need, particularly during “country dialogue”;
- The importance of focusing and maintaining a gender-focused approach in all the Global Fund’s operations;
- Operationalizing the strategic objective of human rights and working to remove barriers to access to services by key affected populations;
- Maximizing the Global Fund’s contributions to strengthening health systems in the context of investments in the three diseases, including by working through IHP+;
- The critical importance of strengthening information systems and data at the country level;
- Taking the partnership-model of the Global Fund to the “next level” as part of the roll out of the new funding model; and
- Participation, ownership and transparency as key components of the governance model of the Global Fund and the need to examine committee and Board operations and practices in light of these principles.

17. Other concerns voiced were in relation to payments through Global Fund grants of incentives to health workers (also known as salary “top-ups”), and the concerns raised by Staff Council to the Board in an open letter that was sent earlier in the week. In relation to the first matter, the Executive Director replied that financial systems are being established so that accurate data can be provided so as to inform future analyses and policies. In relation to the open letter from Staff Council to the Board, the Executive Director reiterated that the workforce is the Global Fund’s greatest asset and that he and the Head of Human Resources are engaging actively on the issues that were raised. He added that focusing on the occurrences during a difficult year of transformation are not the best way to move forward; however considerable effort is being put into transforming the culture at the Secretariat.

Agenda Item 3: Seizing the opportunity-moving from science to impact

Session 1: What science and experience tell us.

18. The Executive Director opened the session by thanking the Chair and Vice-Chair for the opportunity to invite representatives from partner agencies and organizations to present to the Board their knowledge and experiences related to advances in science and epidemiology, and how this has affected their work on the ground.

19. Dr Bernhard Schwartlander of UNAIDS was the first speaker. He opened his presentation by acknowledging the scale-ups in ART treatment and transmission prevention achieved in recent years, which have resulted in huge strides towards achieving the global target, set in 2011. While reaching most at-risk populations continues to provide the greatest challenge, with sustained commitment and resources most countries can achieve rapid progress. Dr Schwartlander provided an overview of the “investment framework” applied by the UNAIDS approach. It is based around four basic steps:
- who is getting infected, and where?
 - where are the major mismatches and gaps in the response with a focus on the basic program components? (the “what”);
 - what are the major cost drivers? (the “how”); and
 - how to generate the necessary resources within the framework of shared responsibility and sustained response.
20. Dr Schwartlander reviewed the new WHO treatment guidelines, demonstrating that it could be possible to lower levels of HIV infection per population globally to approximately the same level as currently seen in the U.S. and in Western Europe. In order to get to a zero rate of infection however, certain tools (such as a vaccine) are needed; while this is not yet available, research results are encouraging. He suggested that by 2025 it could be possible to have 15 million people on treatment, and to have saved around 65 million lives, with an associated reduction in the number of people living with HIV and consequently a lower number of people in treatment or eligible for treatment. To achieve this, a considerable scale-up of effort and resources is needed. If the right approaches are applied now, the epidemic could shrink considerably as would the resources needed in the future.
21. Dr Tim Hallet from Imperial College, London, presented data demonstrating that the HIV epidemic is not a homogeneous one in each country. Rather each country setting includes a series of smaller epidemics characterized by high levels of transmission within “hot spots” with lower levels of transmission elsewhere. Thus, the risk of infection can vary enormously from area to area within the same country, as reflected by the distribution of high-risk populations within each country. With such information becoming readily available, it is now possible to target hot spots, focusing on the critical areas and delivering interventions to the right people in a more cost-effective and efficient way. This could mean up to a 21 percent increase in impact immediately. Subsequently, when new interventions, such as vaccines are introduced later, they would have impact on an already-weakened epidemic.
22. Dr Hallet went on to show that it is possible to identify “hot spots within hot spots” in certain high prevalence areas. For example, surveillance systems are showing that about one-third of all infections occur within only 6% of an area. So improvements in data collection and quality can substantially increase the efficiency of the response and the impact achieved for the same or similar investments. Dr Dybul agreed that the ability of epidemiology to drive better decision-making and impact will become more powerful across all three diseases. This was one of the core principles of the Global Fund’s new funding model.
23. The next panelist, Dr Lucica Ditiu, Executive Secretary of the Stop TB Partnership, presented about the opportunity to control and eradicate the tuberculosis in the coming years. Among the achievements during the past decade, the Global Fund contributed to treating 9.7 million people and increasing treatment success and case

- detection rates from 67 percent to 87 percent and from 43 percent to 65 percent respectively. Despite all the investment and remarkable achievements in lowering TB mortality, however, the average pace of 2 percent decline in TB incidence is still very low. She impressed upon the Board that with today's knowledge and tools we should be able to see the end of the disease during our lifetime.
24. Dr Ditiu then provided an overview of TB statistics up to date. Today, 2 billion people are estimated to be infected. Among the infected, 10 percent are expected to develop the disease during their lifetime, and from this group, 3 million cases will most likely remain undetected. Furthermore, she stated that of the 9 million new TB cases that occur each year, only two-thirds are diagnosed and treated. The most vulnerable populations and the poor are usually included in the remaining third. Last, she mentioned the growing problem of the increasing number of multi-drug resistant tuberculosis (MDR-TB) cases. She indicated that among 570,000 detected cases of MDR-TB in 2011; only 60,000 were adequately diagnosed and treated.
 25. Dr Ditiu shared some of the lessons learnt and describing the potential of the new tools that can be used to control the disease in the near future. For example, evidence shows that integrating TB and HIV programs saved 1.5 million lives between 2005 and 2011. Furthermore, by focusing on the most vulnerable populations, the number of cases detected and treated can be increased by 25 times. Additionally, detection and treatment can also be doubled by engaging with TB-infected communities. The new tools that are proving to be effective include tests to diagnose TB in 90 minutes, 12 vaccine candidates in the pipeline and a significant reduction in the period to treat patients from 6-24 months to 4 months.
 26. Lastly, Dr Ditiu noted that, in order to have the highest impact in fight against TB, and given that most resources come from national governments, the Global Fund should continue to prioritize country ownership in its financing model. As recent case studies in Siberia and Russia have demonstrated, a combination of smart investment, scale up interventions and application of new tools can lower TB incidence to 10/100,000 cases by 2035.
 27. Dr Rob Newman, from the Global Malaria Programme at WHO, presented on the challenges and opportunities to translate scientific discoveries into tools and policies to help control the epidemic. He noted that thanks to the investment made by the Global Fund and other international donors during the past decade, it is now possible to scale up a series of core life-saving interventions including long-lasting insecticide-treated mosquito nets; indoor residual spraying with insecticides, rapid diagnostic testing and artemisinin-based combination therapies ('ACTs'). As result, malaria mortality rates decreased by one-fourth globally and by one-third in the Africa region, saving over a million lives.
 28. Dr Newman stressed that while many countries are now malaria-low or malaria-free; some regions are still experiencing a high malaria burden. He emphasized that reducing investments in this vector-borne disease would have catastrophic consequences, mainly due to the high speed at which achievements in terms of malaria burden would digress. Furthermore, he mentioned the growing concerns about anti-malarial drug resistance that has emerged in places like the Greater Mekong sub-region. If this type of resistance reaches Africa, it could become a public health catastrophe on the continent.
 29. Despite all the research and tools available, there are about 220 million cases of malaria and 660,000 deaths a year, 90 percent of which occur in Africa. Developing new tools, generating quality data, as well as teaching decision-making skills based on

findings to those who run malaria programmes will be critical in moving forward. Specifically, the availability of good data will be crucial to:

- put in place surveillance, monitoring and evaluation programs;
- measure progress made;
- guide future investments and research; and
- help identify the kind of new tools that need to be developed.

30. Dr Newman then introduced examples of tools that had a significant impact in combatting the disease. For example, the introduction of rapid diagnostic testing in Senegal helped match the number of confirmed malaria cases with patients treated with ACTs. This type of resource-targeting tool led to better patient management as well as better quality data collection to facilitate surveillance and mapping of the disease in the country. Additionally, seasonal malaria chemoprevention (SMC), a recommended intervention combining two inexpensive drugs for children less than five years of age prevented 75 percent of all malaria episodes and severe malaria cases in Africa last year.
31. To eliminate the disease in our lifetime, collective effort and partnerships such as the Roll Back Malaria Partnership have a key role to tackle biological challenges and to leverage resources to develop the next generation of tools and drugs. Finally, Dr Newman highlighted the importance of quickly translating research into global policies, as well as reducing the time and steps for policies to be translated into actual programs.
32. The last presenter was Dr Tim Evans of the World Bank, who talked about the importance of strengthening national health systems. At the beginning of the presentation, Dr Evans emphasized that the interface with health systems is critical to maximize impact in the fight against the three diseases. He noted that the three diseases are also part of, and are directly affected by, national health systems. For example, countries with higher health worker density not only have greater coverage of priority interventions but also have better health results overall. Referring to the previous presentation on TB, he reminded the Board that in the case of MDR-TB, poor results are primarily driven by patients not having access to the right treatment rather than by a spontaneous biological evolution.
33. Dr Evans then described a series of technical and financial factors that influenced the quality and performance of health systems in recent past. First, he highlighted how technology has made a difference in regions such as Africa and Asia, where the number of electronic patient records have significantly increased. He noted that collecting this type of information and data provides the opportunity to continue care services; get better and real-time information; as well as to identify, monitor and evaluate which health institutions and districts are underperforming.
34. Dr Evans also mentioned several finance-related components, such as the need to assess whether training is efficient at building a health stock. In particular, he highlighted the diminishing returns from investing in places where: (1) workers lack a basic skill set and (2) the necessary competencies within public administrations to manage core governance functions in the health sector are not put in place. He also pointed out that differences in global and regional salaries combined with labor shortage are driving health workers away from where they are most needed. Furthermore, Dr Evans noted that, in most countries, patients “pay-as-you-go” for services, which is a very inefficient and inequitable way to finance health systems. He

stressed there is a great opportunity to have pre-paid systems and pooling financing, either through taxes or health insurance or community contributors. In doing so, countries would have more fair and efficient financing systems that prioritize purchasing according to need and ability to deliver, which is a high priority in HIV, TB and malaria interventions. Therefore, the challenge for the Global Fund and its partners is how to catalyze and accelerate the emergence of fair, efficient, sustainable and self-reliant health financing systems in lower and middle-income countries.

35. During the last part of the presentation, Dr Evans reflected on health systems governance. He noted that many countries seem to have moved away from both the exclusive top-down command and control systems, as well as the laissez-faire systems on the other end. He observed that governments are now coming up with more middle ground and pluralistic health systems in which multiple actors are engaged in the leadership of health care delivery. At the same time, he noted that concerns still remain around the availability of sufficient investment in the core functions of government that is needed to lead complex health systems. Finally, he encouraged the Board to continue investing and learning, as well as continuing to systematically monitor, standardize, evaluate and disseminate new ways of managing health systems.

Session 2: From science to policy and implementation at country level

36. Dr Marijke Wijnroks moderated the session on ways in which emerging scientific knowledge could be leveraged into policy formulation and implementation at country level.
37. Several delegates noted that the successful translation of scientific research and innovation into policy, and the subsequent implementation of these policies, depends on country-specific economies and cultural contexts. Further, the importance of technical input from partners was highlighted as an important factor towards ensuring that scientific evidence is considered in developing national and regional health plans. The delegate from WHO responded that there are four main areas where partner support is vital in translating science and evidence into country policy and practice; these are policy making and adoption in countries; technical support for implementation; ensuring that Global Fund and country investments translate into impact; and working together on global financial demand forecasting.
38. Areas of concern included improved understanding of how and why bottlenecks in implementation occur – what is working and what is not working. This requires good data evaluation and tracking/surveillance techniques, not only to increase the capacity building of countries but also to support evidence for decision making processes in response to epidemics.
39. Investment in and strengthening of health systems was also noted as vital, requiring strong partnerships and cross-cutting investments, as well as the developing indicators to measure the performance of the health systems in country. Specifically, an indicator could measure private sector/community system partnerships. The idea of including an assessment of systemic impacts of interventions, particularly those targeting improvements to human resources and procurement strategies, was also offered. For example, the Secretariat could collect data on salary augmentation measures and submit this information to the Strategy, Investment and Impact Committee ('SIIC') to define a strategy around this type of funding. It was also suggested that voluntary pooled procurement should also be accompanied by measures aimed at strengthening existing national procurement systems.

40. Shaun Mellors, Vice-Chair of the SIIC noted the importance of effective human rights programming to ensure that programs are informed by, promote and protect human rights, so that structural interventions are supported and lead to the promotion and protection of these rights. He noted that the country dialogue process and strengthening of community systems were one entry point to allow countries to focus on human rights programming and advocacy for key populations, as well as participation in decision-making processes.
41. The moderator responded that making interventions that target vulnerable communities at the right time and cost is a human rights issue. She highlighted and praised the prominence of human rights in the objectives of Global Fund's strategy as an important step forward. She noted that research demonstrates that conducive human rights and appropriate legal environments are necessary for the effective delivery the most effective HIV, TB and malaria services in vulnerable communities. She also suggested the possibility for future Board meetings to include a panel with experts on the matter who could comment on progress made in this area, as well as on the human rights evidence needed to shape policies in the right direction.
42. The moderator raised the issue of community engagement, specifically the need for expanding the role of civil society beyond direct implementation and handling of funds. Organizations like UNAIDS can support to change misperceptions about civil society only wanting to manage funds and to create new opportunities for collaboration. Some delegates stressed the need to reverse the ongoing global trend to reduce the space for civil society. They encouraged Board members to advocate for the reduction of restrictive policies towards the role of non-governmental organizations in the battle against the three epidemics.
43. Several delegates noted that working with communities to ensure an integrated approach was key to achieving impact. Communities are well placed to actively contribute to better health outcomes and community systems strengthening, and sustainable financing is very important to bring this about through ensuring that the money needed by communities is available to actually scale up interventions to achieve better health outcomes. In particular, it is vital to focus on marginalized and criminalized populations, scaling up community systems for advocacy and demand creation, for treatment literacy, peer support, legal and rights literacy, and delivery of services that are designed and led by communities and key populations themselves.
44. Other areas emphasized as important included defining models of treatment service delivery, integrating health delivery systems and community based mechanisms, identifying promising country level practices for community service delivery which could be adapted to other settings, creating partnerships and referral systems between community organizations and health facilities, and encouraging treatment literacy and pre-treatment education as a key adherence strategy.
45. Other observations included the need for dedicated funding streams for community-based organizations to support, for example, innovative community-based drug delivery models, and to build capacity for case management services within community-based organizations. Country dialogue was key to facilitating the mapping of scientific innovations to innovation in people and community center service delivery, financing and partnerships, and data generation to bring about the most impact, while protecting and promoting human rights and gender issues.
46. Furthermore, delegates stressed the significant impact that legal frameworks have on tackling the three epidemics. Particularly, they emphasized the importance of putting in place anti-discrimination policies to protect the rights of women, people living with HIV and all those directly affected by the three diseases. It was noted that multi-

country analyses and programs can be effective in achieving necessary policy and legislative changes, as well as supporting interventions for marginalized and criminalized communities. Furthermore, intellectual property and trade policies related to manufacturing and exports of generic drugs were also highlighted as key enablers to meet treatment targets and increase cost-effectiveness in treatment programs and procurement strategies.

47. During the final round of interventions, the moderator requested additional information about the twelve TB vaccines that are currently in the pipeline, and the role of traditional vaccines as well as the reasons behind their underuse in African countries.
48. The delegate from Stop TB Department at WHO responded that the Bacille Calmette-Guerin ('BCG') vaccine is still the only vaccine available, and its use is recommended in high incidence countries based on its demonstrated efficacy to protect against neonatal and infant forms of tuberculosis. However, he noted that this vaccine has not proven to be as effective to prevent adolescent and adult pulmonary TB in endemic countries, explaining why re-vaccination is not recommended after being delivered at or soon after birth. Regarding other vaccines in the pipeline, he noted that experts are still testing their effectiveness, with at least one potential trial ending earlier this without success. While there are high hopes to bring a number of the potential new vaccines to the final stages, he added that it will probably take a few years before options arise.
49. The moderator closed the session by thanking all the delegates for their insightful interventions and valuable propositions to control and bring the three epidemics to an end.

Agenda Item 4: Establishing the principles for grant making activities: Session 1 – Update on the implementation of the New Funding Model

50. The purpose of this session was to offer an opportunity for the Board to engage directly in a “lessons learned” discussion with the leadership of the SIIC, the Board’s Technical Review Panel (‘TRP’) and Secretariat on the roll out of the new funding model, including the work of the Grant Approvals Committee (‘GAC’, or internal Secretariat body that takes TRP recommendations and then makes a final proposal to the Board for approval of a grant agreement based on the TRP recommendations). Additionally, this session was an opportune occasion to share the work streams currently underway by the SIIC.
51. Mr Mark Edington, Head of Grant Management, noted that one of the key features of the new funding model was the shortened timeframe involved between proposal submissions and grant signing. The first ten grants prepared under the new funding model had already been signed for the three “early accelerated applicant” countries - Myanmar, El Salvador and Zimbabwe – within three months. He described the processes, actors and factors that contributed to this success.
52. In terms of challenges, there was considerable confusion on the parameters/criteria around indicative and incentive funding in relation to complexities faced and duplication during budget development. However, the process had helped shape full expressions of demand that enabled strategic decision-making on awarding incentive funding. Mr Edington stressed that incentive funding would not be automatically awarded to countries which request it; rather that it would for those where impact could be maximized. Other challenges noted include data quality data in the concept notes, ensuring meaningful and timely participation of key affected populations during country dialogues, and difficulties around the disease split allocation.

53. Mr Edington informed the delegates that concept notes for the remaining early applicants would be developed between June and September 2013, and these would provide more insights into process improvement, particularly in relation to regional proposals. It was expected that the second wave of disbursement-ready grants would be submitted to the Board for approval towards the end of year, and the full roll-out would commence in early Q1 of 2014. He noted that 30-40 countries would need to receive funding under the new funding model before the end of Q3 2014 to avoid service interruption, meaning that less than six months would be available to complete the process from launch to proposal submission to grant signing, and this would create additional pressure on countries, partners and Global Fund staff.
54. He therefore encouraged countries to begin work already on developing or improving National Strategic Plans, involving partners and civil society, improving data collection and quality to ensure that the process is as rapid as possible. The Secretariat would also be evaluating its capacity to manage the increased number of countries involved in the process to optimize support from country teams
55. In his capacity as Chair of the Secretariat's GAC, the Executive Director provided an overview of the Committee's work. He highlighted key statistics, membership and participation issues, as well as changes to the processes and inputs into funding recommendations to the Board and increased collaboration with technical partners, civil society and the TRP. He noted his goal is to ensure that the Global Fund has a holistic picture of programs and that inputs from various sectors and actors is taken into account and incorporated into GAC recommendations to the Board, with the aim of achieving maximum impact, effectiveness and value for money.
56. Dr Shawn Baker, the TRP Chair, expressed that overall, the TRP has been very pleased with the concept notes submitted because they were of high quality and with the right level of information. While the TRP recognized and appreciated the increased input from country teams and partners, it had nonetheless made some specific recommendations on helping countries to improve concept notes, particularly in relation to the provision of guidance on health systems, community systems, human rights and gender.
57. The TRP has also noted challenges associated with incentive and indicative funding in terms of the amount that would be made available as incentive funding. He cautioned that, depending on the elements competing in any given window, some of the "hit or miss" aspects of the rounds-based approach might unintentionally repeat themselves though differently; this possibility requires careful monitoring. An additional concern was the apparent perception that indicative funding is intended for "business as usual" while incentive funding is intended for high quality, high impact interventions. The TRP felt that it should be emphasized that all Global Fund investments should be high quality and high impact, and he stressed that this was the approach being taken by the panel when analyzing concept notes.
58. The TRP had also noted that unfunded quality demand far exceeded available funding, and this raised concerns such as the "shelf-life" of such demand, or the effects of potential changing epidemiological, programmatic or donor landscapes. Other issues included the introduction of new technical guidance, or new technologies that could have major financial implications for countries trying to implement them. Challenges around maintaining quality with ambitious scale-ups could be offset by the establishment of an annual check-in mechanism, which would measure scale-up achieved and make appropriate budgetary adjustments.
59. The TRP Chair expressed his appreciation for the inclusion of the TRP as an *ex-officio* member of the SIIC, as it had provided an important opportunity to feed into

discussions and to provide objective recommendations. One last point of concern, echoed by the SIIC Chair, was to find ways to safeguard the integrity of TRP inputs to the GAC process and how best to ensure their visibility to the Board.

60. The Board Chair then opened the floor for comments. Board Members and delegates who took the floor expressed their appreciation for the early applicant phase of the new funding model, both in terms of the increased involvement by Secretariat country teams and the TRP in the process, as well as the decrease in time taken to get from proposal submission to grant signature. A number of constituencies felt partners should be engaged in the dialogue earlier in the process. The need to focus on data quality especially around most-at-risk-populations was also emphasized. Maximizing impact through incentivizing health systems and community systems strengthening activities was also an important objective, and some form of regular reporting was requested to inform the Board on progress in these areas.
61. Some Board members agreed with concerns voiced around the complexities associated with the split between incentive and indicative funding. Another challenge moving forward was noted as how best to determine the optimal “percentage split” between incentive and indicative funding; the issue would be how to encourage ambitious programming for access to incentive funds while avoiding adversely affecting “notionally” under-allocated countries. There were questions around whether incentive funding was intended to reward good planning, well-written proposals, a good policy dialogue, or if the purpose was to recompense good program execution. The discussion also pointed to general agreement on not awarding incentive funding to notionally over-allocated countries.
62. Some Board member opined that differentiation by bands seemed to be adding unnecessary complexity to the allocation of financial resources. At the same time, others felt that concept notes could be used more strategically and reflect the national strategic plans. The TRP Chair pointed out that Concept Notes actually serve two purposes – one for the TRP and the approvals process, and a second one as the basis for the actual grant, so the Concept Note has to contain enough information to allow its transformation into a grant without repeated requests to the country for further information after initial submission. Disease split was another cause for concern for the Board, in particular in relation to the percentage to be allocated to TB, which was considered by many to be under-reported (this is because TB deaths are considered AIDS deaths if the patient was HIV positive). In addition, rising levels of MDR and XDR-TB were causing concern that the current 16% allocation of global funding may not be sufficient to tackle the disease.
63. During the discussion the Board expressed opposing views around the level of appropriate oversight during the grant approvals process. While some felt that the Board should be more involved and provide more time to review recommendations for funding, others felt that the Secretariat should be capacitated to undertake its operational responsibilities supported by partners, the TRP and the GAC. Changes to the process are not foreseen at the moment and the SIIC Chair responded that while the GAC process was qualitative, he felt that it was too soon to consider less Board involvement during grant approvals.
64. Several Board members delegates commended increased Global Fund involvement in country dialogue. However, this would be difficult to replicate when the model was rolled out to the full portfolio of over 140 countries, particularly in terms of Secretariat capacity. A review of partner technical support could identify areas that might require adjustment or re-focus in order to provide optimal support and accelerated impact of the new funding model, particularly with the move towards more strategic investment underway. Another suggestion to support sustainable rollout of the model was the

production of guidelines for the entire process from the development of the concept note (including for regional applications) through to grant making and signing.

65. Other comments included appreciation for the fact that grants were already being signed within so quickly after launch of the new funding model for early applicants, as well as for the commitment being shown by the Global Fund towards alignment with national strategies. While increased involvement by country teams was welcomed, the importance of ensuring country ownership and country-led processes was underlined. A clear definition of the roles and responsibilities of all the actors involved – TRP, country teams, technical partners, Principal Recipients ('PRs'), Country Coordinating Mechanisms ('CCMs'), the Secretariat's GAC and countries - is key, as is the need to ensure the engagement of affected communities.
66. A number of delegates expressed concern around the capacity of CCMs to engage in country dialogue and the support they might receive from the Global Fund to build their capacity. The Secretariat confirmed its commitment to the CCM model, noting that highly capacitated CCMs were critical to the success of the Global Fund; however, some refinements to the CCM role would be necessary to adapt to the needs of the new funding model. Work in this area will evolve.

Agenda Item 5: Risk Oversight

67. Noting the key role of the Board in setting its overall risk appetite, the Board moved to a discussion on risk management and the evolving assurance and investigations functions of the Global Fund. This conversation included interactive presentations by Mr Graham Joscelyne, the AEC Chair, Mr Norbert Hauser, Interim Inspector General of the Office of the Inspector General of the Global Fund ('OIG'), Mr Cees Klumper, Chief Risk Officer ('CRO') and Mr Mark Edington. A number of probing questions by Board members led to extending the session into the second day of the meeting. For ease of reference and understanding, the Board's discussion on both days is captured in this section.
68. To begin the discussion, the AEC Chair provided a thorough account of the Committee's work and focus since the last Board Meeting. He highlighted its work in overseeing the OIG as it seeks to increase its effectiveness and rebuild relationships with the Secretariat, the Board and its Committees, and other stakeholders. With respect to the committees' oversight functions vis-à-vis ethics, Mr Joscelyne noted that resourcing of the function was a key concern and that appropriate focus and training would lead to integration of the ethics framework into all aspects of the Global Fund's operations. He added that the Board should expect to receive a specific report on ethics prior to its next meeting.
69. The AEC also devoted considerable time to assuring credible financial reporting and the external audit of the Global Fund's accounts. In comparison to 2011, the 2012 financial reports and management actions were significantly more robust. Additionally, the scope of work, cost and output of the external auditor was the subject of the committee's focus. The need to ensure timely approval of the audited financial statements prompted the Committee to recommend an electronic decision point to the Board in May 2013 ahead of this in-person meeting. Lastly, Mr Joscelyne noted that the Finance and Operational Performance Committee ('FOPC') will also oversee some aspects of the implementation of the management actions emanating from the external audit that fall under its remit.
70. Turning to the risk functions, Mr Joscelyne explained that the Board and its committees should expect to interact more frequently with the CRO as risk functions

become increasingly integrated into all aspects of the organization's work. Noting that risk management features prominently in the Executive Director's future plans, the AEC will track the CRO's work in carrying this work forward. He added that the risk profile of the organization should also feed into the OIG's risk based audit plans that the AEC is responsible for approving. While not all the foundational risk management actions are fully articulated in documents that the Board has seen, there is strong momentum in this direction and the AEC is fully engaged.

71. Mr Klumper presented a summary of key areas of his work and addressed the following:
 - i) processes that have been put in place to identify and track risk; ii) how the "heat map" is generated from an "Operational Risk Management" (ORM) tool; iii) how risk mitigation measures are identified for high-risk grants; and iv) how Local Fund Agent ('LFA') services are evolving in line with the risk profile at the grant level. Many of these points are covered in the report he submitted to the Board.
72. Mr Edington provided additional insight into how operational risks are assessed and managed, emphasizing that delivering the mission of the Global Fund is the overarching goal. An analysis of risk factors in 20 recipient countries that account for approximately 70% of the global disease burden and Global Fund investments ("high impact countries") shows that the primary determining factor of operational risk is PR capacity. While many assume that the highest risk for the Global Fund is poor financial reporting, fraud or corruption etc., in fact, treatment disruptions and poor quality of health services are higher on the operational risk "heat map".
73. Mr Klumper also reviewed the Board's role in risk oversight. First, the Board should be comfortable with the processes that are in place to identify and address risk; second, the Board should know about individual risks and how they are being addressed; and lastly, the Board should understand and agree with the risk philosophy. Mr Klumper concluded by saying that a discussion around risk tolerance will be more robust in 2014 when the ORM is applied to all grants and the quarterly risk register is updated regularly.
74. Norbert Hauser complemented his written report to the Board with an overview of his impressions as he takes leave of the Global Fund. He described how the Secretariat and the OIG work more collaboratively while focusing on the populations in need. He emphasized that working collaboratively with the Secretariat did not dilute the required International Internal Audit standards of independence in any way, shape or form. He also highlighted that the OIG is no longer involved investigating staff employed by the Global Fund unless allegations are related to grant-related irregularities. Also advisory functions have been introduced into the OIG Charter, namely to assist the organization in identifying risks at an early stage.
75. With respect to investigations functions, approximately 100 open cases have been closed. Reports are also being released while the Secretariat is now provided "red flags" on which they can act while waiting for investigations to conclude. Several memoranda of understanding are either signed or far in advanced stages of conclusion with other agencies.
76. In conclusion, Mr Hauser noted that the OIG's mandate is very broad and that a risk-based approach is used to prioritize actions. The OIG is now beginning to undertake assessments of critical processes and systems to take stock of their robustness and implementation while offering consulting services to the Secretariat. The style of reports is becoming more concise; at the same time, recommendations are written in a way that allows them to be prioritized, implemented and easily tracked.

77. He shared his parting, personal reflection based on his experience as interim Inspector General: the organization must tolerate a certain level of risk if it is to deliver on its noble mission, and that taxpayers in donor countries should understand that the organization operates in high-risk environments but balances this with a high level of accountability and transparency. The Global Fund has “zero tolerance for fraud” but this does not mean that misuse of funds will never happen; the fact that the organization actively detects fraud and discusses it openly demonstrates that the assurance framework is effective.
78. Following comments and presentations by those cited above, most Board members took the floor, expressing varying types and degrees of concerns around the completeness and coherence of the Global Fund’s approach to risk management and the assurance framework, of which the OIG is a part. All those who took the floor unanimously supported the progress made by the Global Fund in risk oversight as well as the improved relations between the Secretariat and the OIG, including the tenor and tone of their communications with one another and with the Board. Many Board members emphasized the importance of the Board’s continued and regular involvement in understanding, overseeing and discussing the organizations’ “risk appetite”, including its processes, approaches and policies. The concerns, questions and queries can be grouped along the following themes:
- i. Lack of clarity around the execution and progress towards completion of the OIG’s three year audit plan and whether the recommendations issued to date have been accepted by the Secretariat. A specific concern was voiced around the criticality of the recommendations and how their implementation is tracked by the OIG;
 - ii. The Global Fund’s approach to addressing systemic risks, such as the role of LFAs and the OIGs comments to the need to rethink and redesign their role from the “bottom up”;
 - iii. The importance of transparent and end-to-end explanation of the risk management approach that can be easily tracked and understood by the Board;
 - iv. With the robust heat map emanating from the “Operational Risk Management” framework, the board is well poised to discuss the Global Fund’s risk appetite and mitigating actions;
 - v. Ways in which human rights risks and access to services by key affected populations is factored into risk assessment tools and follow-up actions; and
 - vi. The perception that mission risk should be “front and center” in all discussions of the Board when discussing risk-related matters.
79. Other comments were offered on the importance of ensuring that sustainable solutions are found for countries and that the Board not make misplaced assumptions around the differences between civil society and government PRs. The importance of addressing CCM weaknesses and associated risks as the new funding model is rolled out and the criticality of addressing systemic risks, such as weak procurement systems, by focusing on strengthening health systems were also underlined. One delegation queried whether current Fund Portfolio Managers have the requisite skills to carry out their functions in risk oversight.
80. The OIG, Head of Grant Management, and the CRO replied and clarified specific points. Replies demonstrated that much work in progress and confirmed that considerable progress has been made, but more coherence is needed to ensure full

understanding by the Board. The discussion also showed that there is convergence around the areas of concern by the Board and that clear and frequent communication on the depth and extent of the Secretariat and OIG's work together and separately on these issues is an important next step. Suggestions for continued dialogue and the role of the AEC, the CRO and the Secretariat in general were received openly and will be followed up accordingly.

81. Lastly, the Board spent time understanding the following statement as included in the Risk Update to the Board (GF/B29/06, page 17): "While 1.9 percent of Global Fund grants have been determined to have been misspent, fraudulently misappropriated or inadequately accounted for, we do not tolerate any misuse of funds, no matter how minor. We actively report, pursue and expose any cases where impropriety is reported. When funds are misappropriated or improperly spent, they are recovered as fully as possible. The proportion of the grant portfolio accounted for by fraudulent misappropriation is 0.3 percent."
82. Queries included how the percentages were arrived at, how they are accounted for in the audited financial statements, which point in time these figures began to be compiled and whether these figures can be extrapolated to the entire current portfolio. Also there was some confusion around the 1.9 percent figure because previously the same representation was made citing 3 percent.
83. The CRO explained that the reduction in the percentage was because of the change in the ratio of losses to the disbursed portfolio that arose as a consequence of many reports being released in 2012. This impacted the overall percentage. The figures represent around 25 percent of the disbursed grants from the inception of the Global Fund to the present; however, many audits were conducted in high risk contexts and include grants made as early as 2002 and 2003 when the Global Fund was first established. Other audits were conducted more recently with strengthened PRs and assurance systems in place. Consequently, this figure can be used as a "proxy" for the overall portfolio, but with caution. He added that the 1.9 percent figures include funds that were spent in the health sector, but not always in exact accordance of the grant. The CFO explained that two pre-conditions must be met in order for these figures to be captured in accounting terms: i) there has to be high level of certainty around the exact figures and ii) a formal notification to the PRs has to be issued. Consequently, the 1.9 per cent figure corresponds to US \$4.7 million that is already registered as an expense because it is disbursed. Meanwhile, the corresponding 1.5 million to the 0.3 percent has not been accounted for because determinations around recoveries have not been made.
84. This conversation elicited general agreement that greater clarity is needed on the matter for the Board and as part of the audited financial statements. A detailed update on the sources of these figures and recoveries of these amounts (completed or underway) will also be provided to the Board.
85. On behalf of UNDP, UNAIDS informed the board that working relations with the UNDP audit function have improved and that all their reports, including non-Global Fund related audits, are also now available on the UNDP website.

Agenda Item 6: Appointment of the Inspector General of the Global Fund

86. Aida Kurtovic (Chair of the 2013 Inspector General Ad-Hoc Nominations Committee, or 'AHNC') and Jan Paehler (Vice-Chair) presented a comprehensive report of the work of the AHNC from commencement through to the AHNC's final recommendation to the Board. The AHNC's report highlighted the breadth of candidate due diligence

undertaken, highlighting the emphasis placed on assessing potential conflicts of interest and ethical risk with the assistance of the AEC. The report also highlighted the AHNC's adoption best practices from the 2012 Executive Director appointment process.

87. On behalf of the Board, the Board Chair commended the overall professionalism of work of the AHNC and its excellent leadership team.
88. The Board Chair confirmed that the Board had met, the evening before, in Executive Session to discuss the AHNC's recommendations. He advised that the Board had agreed on an appointment decision during that session, and presented to the Board a record of that decision point – namely the Board's decision to appoint Mr Martin O'Malley as the Inspector General of the Global Fund.
89. The Board Chair advised the Board that it was expected that Mr O'Malley would commence his term as near as possible to the early part of September 2013, and that he would ensure that Mr O'Malley was immediately informed of the Board's decision.
90. The session closed with universal appreciation to the full membership of the AHNC.

Agenda Item 7: Financial Oversight

Approval of the 2012 Annual Report

91. Based on the recommendation of the Audit and Ethics Committee (AEC), the 2012 Global Fund's Consolidated Financial Statements were approved in May 2013.
92. Mr Daniel Camus, the Chief Financial Officer (CFO), introduced the 2012 Annual Report as a key reporting tool that captures the core activities of the Global Fund. He stressed that refinements had been made to this document, and the possibility to extend and strengthen some portions in the future. He then provided an overview of the timeline and interactive process for the closing of the 2012 accounts. Among the milestones before approving the annual accounts were a joint review of the external auditor and the AEC, presentation of the accounts to the FOPC and a series of consultation calls with the Board constituencies. He was also pleased to reiterate to Board Members that a positive unqualified opinion from the external auditors stated that "*the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position*" of the Global Fund.
93. During the second part of the presentation, the CFO emphasized the Secretariat's efforts to rebuild the entire financial history of the Global Fund and improving the closing process, which ended two months earlier than in the previous year. Some of the restructuring activities conducted by the Secretariat included a joint initiative of the Finance, Controlling and IT teams to rebuild the data for more than a thousand grants, a systematic review at every step of the closing process and on-going interaction with the external auditors. Some areas for improvement still remain such as further strengthening of internal controls and improving communications processes within the Finance and with other departments.
94. The presentation ended with the Secretariat's planned activities around the objectives set for the 2013 closing process. To carry this work forward, the Secretariat has identified three key areas to strengthen the closing and review of the financial accounts. First, the further acceleration of the closing of the annual accounts through tighter control of deadlines and documentation of procedures. Second, the reduction of

risks related to account reopening by shortening the time lag between the auditor's review and Board approval of the Annual Report. Last, the introduction of a mid-year closing of the accounts to measure progress made and to assess the reliability of the financial statements.

95. In the discussion that followed, Board members showed their appreciation for the Secretariat's efforts to improve the reporting processes for the financial accounts, and acknowledged that the unqualified opinion of the auditors was a source of reassurance of the positive results. Before closing the session, the decision point on the 2012 Annual Report was approved.

Agenda Item 8: Performance: Setting Re-purposed Key Performance Indicators

96. In a pre-briefing session, and then on the floor of the Board, the Secretariat presented a summary of developments of a revised corporate Key Performance Indicators ('KPI') framework in line with the 2012–2016 Strategy approved by the Board at the Twenty-Fifth Board Meeting³. The Board Chair invited constituencies to provide input to the proposed "Global Fund Corporate Key Performance Indicator Framework for 2013-2016" set forth in GF/B29/7.
97. Board delegates signaled their interest in an broader consultation process before the framework could be finalized and approved by the Board. One donor constituency offered to coordinate donor bloc input into the framework.
98. A number of delegations underlined the importance of measuring the Global Fund's actions on Human Rights from an access to services standpoint.
99. One Board member called on the Global Fund and all technical partners to work together on reaching a joint definition of measurements to ease reporting for countries. The Board Vice-Chair concurred and cautioned that divergent measurements between different donors, and agencies represented a potential significant increase in reporting requirements for grant implementers.
100. The Board Chair proposed that the incoming Board leadership place the Corporate KPI framework on the agenda of their first Coordinating Group meeting scheduled for 20 June 2013. He further proposed that the Coordinating Group agree on a consultative process including Board members to contribute to a new iteration of a revised framework presented for approval at the Thirtieth Board Meeting. He emphasized that the number of indicators should be kept in check, and suggested to limit the number of KPIs to fifteen. The Executive Director welcomed the direction of the Board Chair and offered the help of the Secretariat in preparing a revised framework and underlined the importance of ensuring the indicators are measurable.

³ "The Board [...] 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 [...]", Global Fund Board Decision GF/B25/DP5, 22 November 2011.

Agenda Item 9: Setting principles for the Board, its Committees and Advisory Bodies

FOPC status update on revising honorarium arrangements within the Global Fund governance framework

101. The Board Chair recognized that decision point presented in the FOPC's report to the Board represented a compromise position, based on a significant amount of discussion amongst Committee Members on honoraria arrangements for Global Fund governance entities. He indicated that the Committee discussions had clearly been "helpful but not conclusive", and that a number of constituencies had informed the Board Leadership of continuing division. In those circumstances, the Board Chair believed it unlikely that the Board could reach a common point of view in the time available.
102. The FOPC Vice-Chair, John Monahan affirmed this view, noting it had been challenging to find an appropriate benchmark, and that any further consideration of the topic by the Global Fund should be tailored to its particular governance systems and processes.
103. The Board Chair therefore proposed that the Board postpone discussion on the topic, and there be a more comprehensive discussion on honoraria arrangements as part of the Global Fund's ongoing focus on ensuring effective and efficient governance systems. The Board Leadership's recommendation was to ask the FOPC to work in consultation with the AEC, and others, and to design a process for consultation and inputs, and to bring the topic back for Board discussion and ultimately Board approval. Noting the volume of work that is likely to be involved, the Board Chair opined that he thought it unlikely that the Board would be ready to conclude its discussion by the end of 2013, and that it was a topic perhaps best returned to the Board in the following year. He requested that this matter be reflected in the Board's "action sheet", indicating Board endorsement of this approach.

AEC discussions on potential Charter reforms

104. By way of introduction, the Board Chair summarized that an earlier decision point on AEC membership matters was withdrawn following requests from constituencies that these matters be discussed with the Board during its in-person meeting.
105. Dr Brian Brink, the AEC Vice-Chair, summarized the areas that were important to review to ensure that the AEC was operating as effectively as possible. He identified these as: the length of the terms served by independent members; procedures for replacing mid-term vacancies; maintaining a core level of competency despite the routine rotation of members; the role of constituency nominated representatives *vis-a-vis* their nominating constituency; and voting thresholds within the eight-member AEC. He added that, separately, the AEC had considered whether the risk function should be tethered to the AEC, but noted this to be a different topic than the one currently before the Board. The AEC Vice-Chair confirmed that the AEC would continue its discussion on the various issues during its July 2013 meeting, and would be putting forward a recommendation.
106. The Board Chair affirmed the Board's role in discussing and agreeing to changes to committee charters, adding that insights from committees were always helpful to the Board in an advisory capacity.

107. Following some clarifying questions from constituencies, the Board discussed the process to fill two AEC committee vacancies pending any broader changes to the AEC Charter.
108. Noting that the vacancies involved a Board constituency nominated member, and an external independent member, it was agreed that the Board would adopt different processes for the two roles. For the external independent member, there was general agreement that the vacancy could be filled from the original list of short-listed candidates that was compiled when the call for independent members was issued in January 2012. For the Board-constituency nominated member, the Board discussed the issue having regard to both the stated procedure in the Bylaws, and the potential for a more expedient outcome to be reached by asking the constituency who nominated the now-retired member to propose a replacement for the unexpired term. The latter view was preferred by at least one constituency, who observed that a very early vacancy in the AEC's membership was filled by a request from the Board Leadership for the original nominating constituency to present a new candidate. Following considerable debate on the importance of having a consistent approach, a member of the Global Fund's Institutional Legal Team clarified the language in the Bylaws – affirming that Board-constituency nominated seats were not tied to a particular constituency, and that if a transparent call was to be made to fill the AEC member vacancy, it should be made to all of the Board's voting constituencies.
109. The Board Chair concluded the discussion by noting that the call would therefore be issued to all voting constituencies of the Board and recommended that the process move forward quickly.

Agenda Item 10: Establishing the principles for grant-making activities: Session 2 – Areas for Additional Work

110. Todd Summers, the SIIC Chair, introduced the session by informing delegates that the Committee had spent a substantial amount of time and worked closely with the Secretariat on various issues related to the new funding model, including the distribution of funding by disease (the “disease split”) at global level, and the split of funding between the incentive and indicative streams. While the session had been conceived to allow delegates to ask questions and provide input, he stressed that this would not replace the many hours already dedicated to the discussions by the Committee.
111. He then provided an overview of the work carried out on the disease split, informing the delegates that the Secretariat had recruited the services of three external organizations to provide their perspectives on how global funding should be split between the three diseases. None of the three organizations had been informed of the identity of the others, and that very little guidance had been provided, with the aim of obtaining independent proposals. One meeting had already been arranged with the three organizations, together with a range of technical partners including WHO, UNAIDS, RBM, and Stop TB, during which the external organizations presented the methodologies they proposed, and the group discussed how to use the inputs generated by the different methods, which were all quite different and would therefore be expected to produce quite different views on the optimal distribution of funding.
112. While no decisions were made at this first meeting, those present agreed that whatever changes proposed by the external consultants should be fairly modest and should be guided by a set standard to avoid changing the balance between the diseases too quickly. It was also understood that the input from the three different groups would need to be considered collectively before any recommendation was made to the SIIC

and to the Board on the global split for disease funding. The second meeting of the group was scheduled for the first week of July, after which any potential recommendation would be proposed.

113. The SIIC Chair noted that one of the key challenges brought about by the implementation of the new funding model is the effect of moving from a rounds-based system to a system where funding would be apportioned based largely on disease burden and “ability to pay” based on gross national product data (or ‘GNP’). He reflected on analyses that shows that some countries are receiving more funding than they would have been allocated under the new funding model if already operational, while others are receiving less. He illustrated the point using a graph with a dotted line (the formula-based allocation) over which were superimposed two blocks representing the “under” and “over” allocated countries, below and above the line respectively. The location of the line would depend on the Replenishment amount - a favorable Replenishment would bring the line up, resulting in less countries above the line (“over” allocated) and vice-versa.
114. He then provided a brief summary on the four different areas which had been considered by the SIIC, since the Board had initially approved the new funding model in November 2012, recounting that at that time, the Board approved the outline of the new funding model and affirmed that indicative funding should be used for prioritized needs and incentive funding should be used for “everything else”.

Area 1 - Indicative and Incentive Funding Splits

115. On the incentive and indicative funding split, the SIIC and the Secretariat had considered the effects of different percentage splits during a series of meetings and conference calls, with the following options being considered by the SIIC:
- i. Apply one percentage split – e.g., 50%:50%, 75%:25% etc.;
 - ii. Apply a percentage split which allows different scenarios reflecting different possible Replenishment outcomes;
 - iii. Apply a percentage split that could be adjusted over time as more funding is received from donors – perhaps in 2014 or later.
116. Of the three options considered, option 2 was the preferred by the Committee, which had begun to evaluate different percentage split options based upon possible outcomes of the Replenishment.
117. Board members expressed varied opinions on the indicative/incentive funding percentage split, with some delegates preferring a lower rate of incentive funding to allow a higher rate of indicative, and therefore predictable, funding to countries. Others expressed a preference for a higher rate of incentive funding to encourage countries to prepare impactful, creative and innovative programs. Another concern was that having two streams of funding could lead to two parallel funding systems – one providing predictable funding negotiated through country dialogue, and a second competitive, unpredictable (almost “rounds-based”) system. In response, Chair SIIC stressed that all Global Fund funding, whether via the indicative or the incentive funding stream, should be used for the highest impact interventions in line with Global Fund strategy. In addition, predictability of funding was inextricably linked to the replenishment amount, so the Committee had looked at various models based on different levels of replenishment in order to determine the optimal split which would ensure sufficient indicative funding to satisfy existing grant commitments.

118. One delegate commented that in addition to sharpening the focus on impact and results-based performance assessment, the incentive funding stream provided an opportunity to incentivize countries in other areas, such as risk. For example country rankings in terms of corruption could be used as a factor in calculating incentive funding, as corruption in one sector often affects other sectors, including the health system, particularly in terms of access to services for those living with the three diseases. Incentive funding could also be used as a lever to encourage sustainability and country ownership by rewarding increasing levels of counterpart financing; it could be linked to civil society engagement; or to key performance indicators for human rights, gender, and key populations.

Area 2 - Differentiation between the different “bands” of countries

119. On the question of whether the amount of incentive funding should be differentiated by band, the SIIC had considered three options:
- i. no differentiation
 - ii. no differentiation for the first three bands, but excluding band 4 countries from access to incentive funding (which would also exclude them from being subject to the incentive “levy”, thus leaving Band 4 allocation at 100%), and
 - iii. some form of in-favor weighting by band, for example countries in band 1 and 2 (highest disease burden), or alternatively countries in Band 3 and 4 (concentrated epidemics)
120. Most Committee members were in favor of either option 1 or 2, as the third option was more complicated, and also because countries ultimately have flexibility on how they use their funding.

Area 3 - Restricted or unrestricted access to incentive funding

121. The third question on possible restriction of access to incentive funding was essentially concerned with whether notionally over-allocated countries should have access to incentive funding, and the options here ranged from:
- no restriction at all, i.e. that all countries would have equal eligibility;
 - restricting access to significantly over-allocated countries (about ten countries comprise about 70% of the over-allocated amount, so this option would affect a relatively small number of countries);
 - Full restriction to over-allocated countries (i.e. no over-allocated country would be eligible for incentive funding).
122. In general, the feeling among committee members was that incentive funding should be focused on under-allocated countries, however allowing some flexibility to cover those countries that might be over-allocated for one disease, but not for another.

Area 4 - Pace of reduction of the level of funding to “over-allocated” countries

123. The final question deliberated by the Committee was that of the pace of reduction for over-allocated countries in order to bring them into line with the level of funding

calculated by the formula-based allocation of the new funding model. The target considered appropriate by the Committee was a 20% reduction over a three-year (or replenishment) period, but allowing countries some flexibility to progress more rapidly or more slowly, depending on individual circumstances, and taking into account other donor input.

124. In relation to this concept of rebalancing funding between notionally over- and notionally under-funded countries, one delegate commented that it was important to be extremely careful as overall impact could be affected through taking funding away from a high performing programme to put it into a low performing programme that was under allocated. He also commented on the fundamental tension between predictability and performance-based funding: full predictability means that poor performance does not result in reduced funding, yet this is fundamentally inconsistent with the Global Fund performance-based model. This then was a healthy tension that would help to maintain a balance between predictability and performance-based funding in the future.

Other observations

125. Other areas of concern emanating from the Board's discussion included the observation that despite a wish to "keep it simple", the new funding model was turning out to be more complicated than foreseen. One delegate, however, pointed out that this complexity was not necessarily negative - the previous day's panel presentations had demonstrated that as more data becomes available, it is clear that the epidemics within countries, even within districts ("hot spots"), are complex and Global Fund programs need to respond to that complexity. In response, the Executive Director stressed that the new funding model is focused on delivering more impact, and if increasing impact, particularly in hot spots, required introducing more complexity then this was a necessary complexity. He stressed however that this was not the same as introducing unnecessary complexity in the delivery of funding, which should be avoided at all costs.
126. The split of global funding by disease was another area where opinions differed – many delegates felt that the global burden of TB was understated and the requirements of the new funding model for disease-specific proposals was contrary to the ongoing efforts to integrate HIV and TB-related services. It was proposed that HIV/TB joint proposals would be beneficial in that they would support the integration of the treatment services as well as resolving the ongoing argument about the amount of funding for each disease as they would be dealt with jointly. In response, the Secretariat informed the delegates that countries could choose a consolidated concept note for all three diseases, or individual ones for different diseases, but that a proposal for HIV or TB must make reference to the other. The Secretariat also confirmed its willingness in principle to joint TB/HIV concept notes, reiterating that one of the objectives of the new funding model was interaction and discussion between the two disease groups, which could be engendered through joint proposals.
127. The Board delegates expressed their appreciation for the considerable amount of work undertaken by the SIIC and the Secretariat in order to bring the discussions to the current status, noting that this was a complicated area that had required flexibility from all constituencies. There was common agreement around the importance of maintaining the principles of the new funding model, such as predictability and value for money, while also focusing on strategic investments, encouraging national governments to increase domestic funding, and finding ways to reward ambitious and well-rounded funding proposals.

128. The SIIC Chair then closed the session, informing the Board delegates that the Committee would be meeting later the same evening to further discuss the issues, and that the input from that day's session would be very useful in moving the deliberations forward. This would be followed by an in-person meeting in Geneva in July, and it was hoped that the Committee would be able to come to a decision and bring a recommendation to the Board in November.

Agenda Item 11: Meeting conclusion

Words from the outgoing Board leadership

129. In her capacity as outgoing Board Vice-Chair, Dr Ramatlapeng reflected on the past two years, the accomplishments achieved and offered some thoughts on the future. She noted that the Board had invested a large amount of time on a comprehensive governance reform to allow the Board to focus at the appropriate level on high priority topics, and stressed that this governance reform should continue. She remarked that increasing implementer engagement was a vital area and while advancements had been made, for example with the recent election processes in the African Constituencies, there was still work to do.
130. The Vice-Chair then commended the Chair for his professionalism and his willingness to take up the role of Board Chair unexpectedly. She extended her sincere congratulations to the Board Chair on being awarded the title of Commander of the Order of the British Empire for his contribution to the development of Global Health. She then expressed thanks and appreciation for the support received from Karmen Bennett, Ilana Kirsztajn, Caroline Bivar and Diane Crawford over the past two years, and noted the contribution made by the Secretariat's Governance team to the preparation and organization of a series of very successful board meetings.
131. Mr Simon Bland, the outgoing Board Chair responded to the Vice-Chair, thanking her for her complimentary remarks, adding that the award he had received was an honor he felt should also be shared with the Global Fund. He reflected on the progress made by the Global Fund over the past twelve years, and listed the priorities the Board had set itself and delivered upon under his tenure. These included overseeing the transformation of organizational management, launching a new funding model, recruiting a world class Executive Director and Inspector General through transparent processes, as well as improving the relationship among and between the Board, the Office of the Inspector General and the Secretariat.
132. He thanked the interim Inspector General and the General Manager for their contributions to the work of the Global Fund over the past twelve months, and expressed his gratitude to the leadership of the three Board Committees for their continuing commitment and dedication. He recognized the guidance, advice and friendship of the Vice-Chair during his tenure, and remarked on the support he had received from his team in the United Kingdom that had allowed him to focus on his role as Chair of the Global Fund Board. Finally, he echoed the Vice-Chair's thanks to the Board Chair's Office at the Secretariat as well as to the Governance Team for their hard work and support to the leadership and members of the Board. He expressed a special thanks to his advisor, Ms Karmen Bennett. Mr Bland congratulated and warmly welcomed the incoming Board leadership.

Words from the incoming Board leadership

133. Dr Mboi, Board Chair elect thanked the outgoing leadership and the Secretariat and formally accepted her nomination, promising to exercise good stewardship during her tenure, and to ensure the continuity needed to allow the organization to continue to serve the millions of people awaiting the Global Fund around the world. She called for a moment of silence for those who had lost their lives to the three diseases, and called for renewed commitment from those present to continue the work in a spirit of trust and solidarity.
134. Ambassador Mireille Guigaz, Board Vice-Chair elect, accepted her appointment, and signaled she was ready and eager to serve. She welcomed and embraced the challenge to focus the attention and the energy of the Board, the legislator of the Fund, at a strategic level, at a sufficient altitude.

Acknowledgement of the outgoing Board leadership

135. On behalf of all the Board Members, the outgoing Board Member for the Private Sector Constituency introduced a final Decision Point recognizing the qualities and acknowledging the contribution of the outgoing Board leadership during their term of office. This Decision Point, which was unanimously endorsed by the delegates, bestowed upon the outgoing Board Chair and Vice-Chair the honorary titles of Chair and Vice-Chair Emeritus of the Global Fund.
136. The outgoing Board Chair thanked those present for their participation in the Twenty-Ninth Board Meeting, announced the Thirtieth Board Meeting would take place on 7-8 November 2013 in Geneva. He then formally adjourned the meeting.

Annex 1 – Decision Points of the Twenty-Ninth Board Meeting

Decision Point GF/B29/DP1: Appointment of Rapporteur

Dr Aziza Bennani from the Eastern Mediterranean Region constituency is designated as Rapporteur for the Twenty-Ninth Board Meeting.

Decision Point GF/B29/DP2: Approval of Agenda

The agenda for the Twenty-Ninth Board Meeting (GF/B29/2) is approved.

Decision Point GF/B29/DP3: Approval of Report of the Twenty-Eighth Board Meeting

The report of the Twenty-Eighth Board Meeting (GF/B29/3) is approved.

Decision Point GF/B29/DP4: Appointment of the Inspector General

The Board:

1. Selects Martin O'Malley to serve as the next Inspector General of the Global Fund for a six-year term beginning on or around September 2013.
2. Requests the Board Chair and Vice-Chair to facilitate the appointment of Martin O'Malley to the position of Inspector General.

Decision Point GF/B29/DP5: Approval of the 2012 Annual Report

The Board approves the 2012 Annual Report of the Global Fund as set forth in GF/B29/11.

Decision Point GF/B29/DP6: Appreciation of Outgoing Chair and Vice-Chair of the Board

The Board expresses its deep appreciation to Simon Bland for his leadership as Chair of the Board. He has served the Global Fund with a high degree of personal commitment and passion. During his tenure, Simon has successfully guided the Board through significant challenges and important decisions that will continue to shape the future of the Global Fund.

The Board also expresses sincere gratitude to Mphu Ramatlapeng for her leadership as Vice-Chair of the Board. She has served the Global Fund with dedication and distinction. During her tenure, Mphu has been instrumental in driving governance reform, coordinating important deliberations, and facilitating decisions of the Board that will have a lasting impact on the Global Fund.

Their stewardship of the Board through the Consolidated Transformation Plan, the development of a new funding model, and the appointments of the Executive Director and the Inspector General have pointed the Global Fund towards continued success and efficiency in achieving its mission.

The Board wishes Simon and Mphu all the success in their future endeavors and bestows upon them the honorary titles of Chair Emeritus and Vice-Chair Emeritus of the Board, respectively.

Annex 2 – Action Sheet

Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
Board Decisions					
Decision Point GF/B27/7: Evolving the Funding Model	SIIC and the Secretariat	Recommend to the Board at its Twenty-Eighth Meeting the additional elements of the new funding model so as to allow for its implementation beginning in 2013, based on funds available.	By the Twenty-Eighth Board Meeting	Board	Completed
	Secretariat	The Board requests regular evaluation of the new funding model.	On-going	Board	Ongoing
	SIIC and the Secretariat	Continue the work of evolving the business model of the Global Fund beyond the new funding model, enabling the full implementation of the new strategy.	On-going	SIIC	Ongoing

Action Points (AP)					
GF-B27-AP1	Secretariat	Secretariat will disclose consultant costs to the FOPC	FOPC meeting	FOPC	Completed
GF-B27-AP2	Board Leadership	The Board leadership will provide a description of ED Selection process to Board prior to the Twenty-Eighth Board Meeting	By the Twenty-Eighth Board Meeting	Board	Completed
GF-B27-AP3	Board Leadership	The Board leadership will provide a description of Chair and Vice Chair TOR formulation with revisions incorporated per comments made at the Twenty-Seventh Board Meeting	By the Twenty-Eighth Board Meeting	Board	Completed
GF-B27-AP4	Secretariat	The Secretariat will develop a comprehensive approach to assessing organizational health (KPI development)	By the Twenty-Ninth Board Meeting	Board	On-going

Board Decisions					
GF/B28/DP4: Evolving the Funding Model (Part Two)	SIIC and the Secretariat	Board approval of additional principles to guide the division between indicative and incentive funding, including a final definition of prioritized needs.	By the Twenty-Ninth Board Meeting	Board	Pending
	SIIC and the Secretariat	Under the oversight of the SIIC, Secretariat to develop a measure that can be used to estimate disease burden and financial demand across all three diseases for approval by the Board no later than September 2013.	By September 2013	Board	Pending The Secretariat has worked with Partners to develop disease burden estimates and demand forecast for presentation at the Brussels Replenishment meeting. Further analysis as part of disease split deliberations for NFM to be approved at the November 2013 Board
GF/B28/DP5: Evolving the Funding Model (Part Three)	FOPC	Portion of currently available uncommitted assets determined by the Finance and Operational Performance Committee (FOPC) before the end of 2012 to be invested in a transition phase to test elements of the new funding model.	Before end 2012	FOPC	Completed
	SIIC and Secretariat	The SIIC will assess the effectiveness of the Transition to the New Funding Model, based on a monitoring and evaluation plan presented by the Secretariat, in consultation with the Technical Evaluation Reference Group and will report to the Board regarding the effectiveness and lessons learned from the Transition.	No date established	Board	Ongoing
GF/B28/DP6: Integration of the Lessons from the Affordable Medicines Facility –malaria	Secretariat	Secretariat to report to the FOPC and SIIC prior to the end of 2012 on the outcome of resource mobilization efforts undertaken to finance the co-payments for the Transition.	Before end 2012	FOPC and SIIC	Transition Financed.