

## **REPORT OF THE THIRTY-FIRST BOARD MEETING**

**PURPOSE:** This document presents the Report of the Thirty-First Global Fund Board Meeting, held in Jakarta, Indonesia, from 6-7 March 2014.

The Report of the Thirty-First Board Meeting was approved by the Board of the Global Fund via electronic vote on 9 May 2014 (GF/B31/EDPo8).

Accompanying documentation from the Thirty-First Board Meeting is available at [www.theglobalfund.org](http://www.theglobalfund.org).

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## Agenda Item 1: Opening

1. The Chair of the Board, Dr Nafsiah Mboi, welcomed delegates to the Meeting, and to Indonesia, thanking those who had made it possible to hold the Board Meeting in Jakarta. Dr Mboi extended a special welcome to the new Board Members and Alternate Members, participating in their first Board Meeting. She introduced Professor Adberrahmane Maaroufi (Eastern Mediterranean Region), Jennifer Kates (Private Foundations), Chanvit Tharathep (South East Asia), Joachim von Amsberg (World Bank), and John Monahan, participating for the first time as Board Member (United States).
2. Looking ahead at the challenging agenda items to be deliberated upon over the coming two days, Dr Mboi called on the Board to reflect on the journey of the Global Fund over the past two years, the remarkable progress made to date, and the work of the Secretariat and the Committees.
3. The traditional candle of remembrance was lit by Ms Loretta Wong, Board Member for the Developing Country NGOs constituency, who spoke of commitment, passion and dedication in the fight against the three diseases, and particularly of those most affected by HIV, tuberculosis and malaria. Ms Wong extended special mention to those under persecution as a result of anti-homosexuality laws.
4. Mr Alexandr Curasov then paid tribute to Andrew Hunter of the Communities delegation, following his untimely death in 2013. Mr Curasov recalled Mr Hunter's role as tireless activist and advocate, his dedication to fight for the human rights of at-risk communities, and his belief in the Global Fund as a mechanism for changing lives.
5. The Chair of the Board echoed Mr Curasov's words, and the Board observed the traditional moment of silence.
6. Minister Benedict Xaba of the Eastern and Southern Africa constituency was appointed as Rapporteur for the meeting. (Decision Point GF/B31/DPO1)
7. In presenting the agenda to the Board, Dr Mboi noted the care taken to present a sequence of decisions that protected the interrelated flow of discussions and decisions needed to ensure the smooth implementation of the new funding model. The Chair of the Board further highlighted discussions within the Coordinating Group and the consultation that had taken place with every constituency surrounding the sequence of decisions, based on the recommendations of the Finance and Operational Performance Committee (the "FOPC") and the Strategy, Investment and Impact Committee (the "SIIC"). She reiterated the importance of the decisions to be taken at this meeting.
8. Given the full agenda of this meeting, the Chair commented on requests received to include additional agenda items related to governance. She indicated that due consideration had been given to the way to manage these requests, but that the conclusion was that these items would be best considered by the ad hoc Working Group on Governance, which would be discussed on day two of this meeting.
9. The Board approved the draft meeting agenda<sup>1</sup> (Decision Point GF/B31/DPO2). Mr Anders Nordstrom of Point Seven made a formal request for an additional agenda item to allow a report from the Committee Chairs. Given the full agenda, the request was

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<sup>1</sup> GF/B31/01, Agenda, 5 March 2014.

not granted by Board Leadership on this occasion, but was noted for the next meeting. Furthermore, Point Seven requested and recommended that all Board Constituencies be offered the opportunity to provide input into the agenda for future meetings.

10. The Board approved the Report of the Thirtieth Board Meeting<sup>2</sup> (Decision Point GF/B31/DPO3). The Board Chair committed to sharing the report of the Thirty-First Board Meeting with the Board within one month of the close of this Board meeting.
11. The Board next reviewed the “Action Sheet” of matters arising for follow up since the Thirtieth Board Meeting included as Annex 2 to this report. Dr Mboi commended the outgoing and incoming Committee Chairs and Vice-Chairs for their efforts to develop effective work plans for the coming year, while the Executive Director, Dr Mark Dybul, confirmed the Secretariat’s commitment to delivery of organizational performance indicator revisions to the Board by June 2014 to complete the KPI framework approved by the Board in November 2013.<sup>3</sup>
12. Before commencing the substantive work of the meeting, the Chair of the Board noted that the Executive Director had been exceptionally relieved of submitting his report to the Board at this meeting, given the substantial report received in November 2013, the relatively short space of time between meetings, and the demands on the Executive Director’s time by the replenishment and final preparation for full launch of the new funding model.

## **Agenda Item 2: Outcome of the Fourth Replenishment**

13. The Executive Director opened discussions on the outcome of the Global Fund’s Fourth Replenishment with a sincere word of thanks, underlining that the success of the replenishment was a shared success, reflective of strong partnership, and involving the participation of every sector and every country. This shared responsibility was the key innovation of this replenishment. The consistent focus was on the impact that could be achieved, and the lifesaving potential of the funds raised, given the advances in science and epidemiology, which meant that for the first time, the opportunity was at hand to defeat these diseases as a major threat to public health whilst caring for those affected by them.
14. The Fourth Replenishment used a partnership-based approach with Co-Chairs from different stakeholders, an approach that will be represented in the structure and format of future replenishments. Further key elements highlighted by the Executive Director included the focus on the increase in domestic contributions, an increase in donor contributions from implementers, a 142% increase in non-public sector contributions aside from the Gates Foundation’s contribution, and a significant increase in contributions from private donors.
15. The Executive Director proceeded to outline the plans for the next three years and beyond, noting that the Replenishment represents the launch of the cycle. For example, since the conference in December 2013, an additional USD 200 million had already been raised. Dr Dybul expressed confidence that the Global Fund could reach a sum of USD 13 billion, noting potential additional contributions from the private sector and high net worth individuals. Furthermore, significant effort will be made to

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<sup>2</sup> GF/B31/02, Report of the Thirtieth Board Meeting.

<sup>3</sup> GF/B30/DPO7 and GF/B30/07 – Revision 1 and its annexes.

increase domestic finance over the next three years, and to increase parallel financing under national health strategies.

16. Looking ahead to the next replenishment, the Executive Director informed the Board that the Secretariat was already planning ahead, and that an earlier replenishment in 2016 was under consideration in order to ensure continued funding as the new funding model is implemented. Dr Dybul further highlighted the importance of significant decline in infection rates and increased domestic funding, shared responsibility and increased country ownership, as the pillars of a successful next replenishment.
17. The Developing and Developed Country NGOs constituencies, and Germany, congratulated the Secretariat on the success of the Fourth Replenishment. The Developing Country NGOs underlined their support for replenishment efforts aimed particularly at G-20 emerging economies, while the Developed Country NGOs expressed their appreciation of the focus on domestic financing and the proposal to hold an earlier replenishment conference, before giving a word of caution against a possible decrease in efforts focusing on the human rights elements of the Global Fund's work and the shortfall from the goal of USD 15 billion.
18. In closing this session, the Executive Director extended sincere thanks to the United States Government, hosts of the Fourth Replenishment Conference, and to the European Commission for hosting the Preparatory Meeting for the Fourth Replenishment.

### **Agenda Item 3: 2014 Financial Framework**

19. Dr Viorel Soltan, Chair of the FOPC, introduced the agenda item, reporting on two key achievements: (a) that the FOPC had thoroughly reviewed and recommended for Board approval the 2014 operating expenses (the "OPEX") budget at its 9<sup>th</sup> meeting in December 2013, in line with best practice, and (b) the OPEX budget for the Global Fund was, for the first time, accompanied by a work plan and budget narrative. Dr Soltan extended thanks to Mr Tom Hunstad of the Point Seven constituency for his active support in developing the work plan, and to the Finance Division of the Global Fund for the high standard of professionalism in their work.
20. Mr Daniel Camus, Chief Financial Officer (the "CFO"), proceeded with a presentation to the Board on three main areas of activity: (a) an update on the Global Fund's financial transformation; (b) further tracking of the Global Fund's 2013 financial performance, and (c) the Global Fund's 2014 OPEX budget and work plan.

#### Update on the Global Fund's Financial Transformation

21. The CFO reminded all present that the Global Fund is an international financing institution, and that his mission had been to ensure modern, robust and sustainable financial management of the organization's resources. Outlining the four key achievements in pursuit of this mission, the CFO first informed the Board that the division had created a professional team, engaging top experts to lead the Sourcing, IT, Treasury, Controlling, and Financial Development and Systems functions, each with 25 to 30 years' experience in their respective areas of expertise.
22. Secondly, the CFO reminded the Board that the organization had needed to upgrade to state of the art processes and systems with the aim of turning around the Secretariat's capacity to manage and track the Global Fund's financial resources as top priority for

the year ahead. Third, once the systems, tools and processes had been upgraded, it had been necessary to establish new internal and external controls. Mr Camus noted that the Global Fund was already beginning to reap the benefits of these changes with improved tracking and maintenance of tight control over the budget, which were first introduced in 2013 and expected to broaden in 2014. Tight financial management was presented as the fourth critical element of the transformation. The CFO highlighted the importance of risk and liquidity management, in support of the organization's goal, namely, optimizing resources to ensure maximum impact.

23. Mr Camus proceeded to describe the Finance Step-Up project, or, the initiative to upgrade and integrate financial information systems, which over the past year had moved through the design phase to development, system realization and testing, data validation and migration, going-live and training. Mr Camus underlined the vast scale and complexity of the task, which had involved over 100 workshops reaching more than 400 staff members, 200 deliverables of all kinds, data validation and migration of 1,100 grants (equivalent to USD 9 billion of closed and active Global Fund grants, and 1,800 purchase orders). The CFO then informed the Board that the launch of the new system on 1 January 2014 had gone seamlessly, and that financial systems were now integrated, automated, and interfaced with business systems.
24. Presenting a process and system chart to the Board, Mr Camus explained that the Global Fund is now supported by three systems platforms. First, the financial applications, incorporating the Oracle system for processing all transactions, both operating expenses and grants; Kyriba, a treasury system essential to monitoring the new funding model; and Hyperion for budget planning. This financial engine interfaces with two other systems, the grant management portal tool, Salesforce, which interfaces with the Principal Recipients ("PRs") and Local Fund Agents ("LFAs"), and the intranet and extranet. The full integration of the three platforms will serve to ensure accurate and identical data in all locations.
25. Having presented the transformed financial architecture of the Global Fund, the CFO proceeded to clarify the outcomes of the new system, highlighting in particular that the new model would mean faster, more reliable information through streamlined and automated processes; financial data integrity and consistency through migration to the new system and a common financial language achieved through the development of a financial dictionary, on which training would be offered; organizational efficiency, through electronic validation and improved alignment between business and finance, reducing processing times by 40 percent; and finally, integrated and automated IT architecture, enabling weekly or monthly production of full updates on grants, including forward planning. Having outlined the four objectives of the transformation, the CFO assured the Board that the new systems were working, and that they had benefited from the review of both the OIG and external auditor, Ernst & Young.
26. The CFO then turned to the treasury initiatives underlying the principles of the new funding model, led by Mrs Sylvie Billion, Deputy Chief Financial Officer and Treasurer. The presentation noted the objectives of the treasury initiatives: first, to comply with funding principles through ensuring matching of assets (i.e., pledges) with liabilities (i.e., grants) at all times, ensuring cash availability for disbursement, and avoiding liquidity risk; and second, to optimize impact through portfolio management and optimal financial risk management. The achievements thus far of these treasury initiatives have included the development of the amended and restated Comprehensive Funding Policy, and an operational and efficient treasury function within the Global Fund. Going forward, the CFO informed the Board that the new financial systems in

place and the creation of the Treasury Department would enable the Secretariat to capture the latest forecasts on cash disbursements.

27. Updating the Board on the review of the Global Fund's relationship with the World Bank (the "Trustee"), the CFO informed the Board that one of the key achievements of the Step-Up Project was putting in place grant and financial management capacities to handle all functions related to foreign exchange and cash management, including the management and processing of disbursements to Principal Recipients. As such, the Treasury Department within the Secretariat would be responsible for cash management, including monitoring and ensuring compliance with the amended and restated Comprehensive Funding Policy that has been aligned with the requirements of the new funding model, as well as managing foreign exchange risk in a reliable and integrated manner.<sup>4</sup> The CFO further informed the Board that the Trustee would retain responsibility for receiving donor contributions and managing the investment of funds held in the Global Fund's Trust Fund, in accordance with and supported by improved reporting under the new Investment Framework for funds held in the Trust Fund for the Global Fund.<sup>5</sup> Mr Camus informed the Board that the proposed approach and Investment Framework had been approved by the FOPC at its 10<sup>th</sup> meeting in January 2014.
28. The CFO mentioned that the Finance Division had six priorities for 2014. He highlighted two priorities for the Board's information. Firstly, he described the creation of a new financial link with the countries, and indicated to the Board that with effect from end-March 2014, reliable and comprehensive visibility of the Global Fund's cash across the Trustee and countries would be possible. This would enable maximum efficiency and ensure that cash is where it is needed, when it is needed. Secondly, the CFO underlined his ambition to promote a financial culture at the Global Fund where everyone understands the key financial data of the organization, and the impact and consequences of each decision taken.

#### Tracking of 2013 Financial Performance of the Global Fund

29. Mr Camus presented a summary of the Global Fund's financial position as at 31 December, showing USD 8.2 billion in both assets and liabilities, while noting that the figures were pending finalization of the 2013 financial accounts and the audit. Explaining the breakdown of assets, the CFO reported that the Global Fund held USD 4.4 billion in committed and uncommitted cash and cash equivalent assets, and USD 3.7 billion in contributions receivable, including for example promissory notes. Clarifying the organization's liabilities, Mr Camus explained that there was currently USD 5.9 billion in 'funds', most of which were already committed, and USD 2 billion in grants payable, which are included in the pipeline of USD 9 million (to be discussed further later in the meeting). The CFO informed the Board that at the end of 2012, the Global Fund held USD 5.4 billion in the bank. During 2013, the Global Fund disbursed USD 3.9 billion and received USD 3.3 billion in donor contributions. The cash balance at the end of 2013 therefore totaled USD 4.4 billion, of which USD 2.4 billion were uncommitted and USD 2 billion were committed for grants.

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<sup>4</sup> A plan jointly developed and endorsed by the Global Fund and the World Bank, as Trustee, for the handover of services from the Trustee to the Secretariat will take place in two phases, the first of which started in January 2014, as set forth in GF/FOPC10/06 PART A/Annex 4.

<sup>5</sup> GF/FOPC10/DP06.



30. Comparing these figures to 2011 and 2012, Mr Camus noted the increase in grant commitments (USD 3.2 billion<sup>6</sup>) and significant increase in 2013 grant disbursements, reaching USD 3.9 billion,<sup>7</sup> which is the highest level in Global Fund history. Regarding donor contributions, the variance between the amounts in 2013, USD 3.0 billion,<sup>8</sup> and in 2012, USD 3.4 billion, were due to changes in donor payment schedules. The CFO then presented a pattern analysis of disbursement and commitments levels, noting that there was further room for improvement in the Global Fund's planning capabilities, and a need to try to balance disbursements better across the four quarters of the year. This would help to avoid a Q4 peak. Mr Camus felt this would now be possible under the new forecasting and cash management capabilities of the financial systems.

2014 Operating Expenses Budget and Work Plan

31. Mr Camus opened the presentation of the proposed 2014 OPEX budget and accompanying work plan by highlighting the approved 2013 budget of USD 301 million versus forecast of USD 281 million going into the final quarter of 2013. He underlined that through careful tracking and management of disbursements, the actuals (USD 274 million) had been successfully kept below both budget and forecast.
32. Next, the CFO briefly presented a diagram illustrating the planning and reporting cycles that would inform the coming years, including: (a) a mid-term 3-year plan, (b) an annual budget and work plan, and (c) quarterly forecasting including quarterly actuals and estimates to year end. Mr Camus informed the Board that the mid-term plan for the 2014-2016 period would be ready following the Board's decision at its Thirty-First Meeting on resources available for country allocations during the Fourth Replenishment Period.
33. Having contextualized the presentation, the CFO proceeded to discuss the Global Fund's 2014 work plan, referring the Board to document GF/B31/03B containing the first Global Fund full work plan, and highlighting the links between strategy, budget framework and the operational activities of the Global Fund. Recalling extensive discussions at the FOPC, the CFO presented a summary of Strategic Objectives one to five, approved by the Board, illustrating that 65 percent of the proposed USD 298.8 million OPEX budget for 2014 would be dedicated to investing strategically and to ensuring the success of the grants, while the remainder would be focused on ensuring the Global Fund's efficient operation as a financial institution and enhancement of partnerships.
34. Presenting the 2014 operating expenses budget of USD 298.8 million for the Board's approval, Mr Camus confirmed to the Board that the FOPC had reviewed the proposed budget and accompanying work plan extensively in December 2013, as well as holding follow-up discussions at the FOPC's January 2014 meeting, and that the budget focused on two key objectives: (a) maintenance and enhancement of operational excellence and efficiency, and (b) allocation of resources to strategic priorities with key focus on the successful implementation of the new funding model. Mr Camus guided the Board through an overview of the budget, noting that USD 18 million had been allocated to support the implementation of the new funding model. He pointed out that it had been possible to maintain a budget that is USD 2 million below the 2013 budget of USD 301 million through careful planning and prioritizing.

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<sup>6</sup> This figure excludes AMFm and OPEX.

<sup>7</sup> Pending final audit.

<sup>8</sup> Bill and Melinda Gates Foundation Promissory notes were excluded from this analysis.

35. Mr Camus proceeded to describe a number of elements of the proposed budget in greater detail. First, the Board reviewed a breakdown of operating expenses by function, including comparison to the 2013 budget and forecast. The overall operating expenses budget for 2014 was calculated to be 0.8 percent lower than the 2013 budget, and 6.5 percent above the 2013 forecast. Mr Camus explained the following contributing factors for the variations from the forecast: (a) a 15 percent increase in budget as compared to the forecast has been designated for support functions<sup>9</sup> providing for the further development of internal IT systems and Finance and Legal support to the new funding model; and (b) the OIG budget for 2014 remained at the same level budgeted for 2013, USD 20.5 million, as recommended by the Audit and Ethics Committee. Mr Camus explained that, while this figure is 44% above the 2013 forecast, this could be attributed to significant understaffing within the OIG during the past year.
36. Presenting an overview of the budget by cost type, the CFO highlighted significant budget reductions for Local Fund Agent costs (“LFAs”), noting that the 2011 budget had been USD 85 million, and was now down to USD 60 million for 2014. Despite the reductions, optimized, efficient service continued. Mr Camus indicated that allocation of the same level of resources for travel and meetings, USD 21.5 million and USD 3.9 million respectively in the 2014 budget, as compared to the latest forecast, reflected the expected costs involved in the implementation of the new funding model.
37. Displaying a visual breakdown of the operating expenses budget by cost type, the CFO noted that the three largest cost types of the Global Fund were: (a) staff, (b) LFA costs, and (c) professional fees. Mr Camus underlined the tension between reducing professional fees and acquiring adequate external professional support for the implementation of the new funding model.<sup>10</sup> Next, presenting a summary of Full Time Equivalent (“FTE”) headcount, the CFO highlighted that staff costs are not expected to increase during the course of 2014 relative to the 2013 budget, while taking into account an additional 59 FTEs, 49 of which are short-term staff to supporting work related to the new funding model.<sup>11</sup>
38. Concluding his presentation of the budget figures for 2014, the CFO indicated that to evaluate the efficiency of the Global Fund’s cost structure, the Finance Division had compared the Global Fund’s operational costs against the following benchmarks: (a) the Global Fund in past years, and (b) other organizations with a similar business model. In relation to comparison with the Global Fund’s past years, the CFO presented a chart documenting improvement in efficiency ratios with increasing disbursements and stabilization of operating expenses. This demonstrated that the organization had become more active in disbursing grants, and that cost control had improved, and indicated that the ratio of operating expenses to the total number of active grants under management had and would continue to improve over time.
39. The CFO presented the Board with the results of the benchmarking exercise comparing Global Fund OPEX efficiency with comparable organizations. Outlining the objectives and methodology used to conduct this study, Mr Camus explained that significant time and effort had been spent analyzing comparable organizations’ annual operating costs, headcount and other data for 2012 and 2013 budget. Of the organizations studied, the

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<sup>9</sup> Support Functions include: Communications , Human Resources, Legal & Compliance, Risk Management , Finance & IT, Administration & Procurement.

<sup>10</sup> Mainly to support grant management related activities.

<sup>11</sup> Short-term employee slots will end in late 2014 through early 2015.

Global Fund held first place for operational efficiency with an operational efficiency ratio<sup>12</sup> of 7.4 percent in 2013, based on budget, and 6.4 percent based on actuals. The organization also did well with respect to the management fee ratio<sup>13</sup> at 2.5 percent of 2013 budget, and 2.3 percent of actuals. Mr Camus explained to the Board that the ratios were affected by average grant size, indicating that large grants showed excellent results on operational cost efficiency. Also in relation to benchmarking of cost efficiency, the CFO noted that the Global Fund's 'productivity' indicator,<sup>14</sup> which can also be considered a measure of progress, appeared better than average.

40. Having concluded the presentation, the CFO recommended approval of an operating expenses budget of USD 298.8 million for 2014, including an OIG budget of USD 20.5 million.
41. The Chair of the Board then opened the floor for questions. The UK and Australia constituency thanked Mr Camus for a comprehensive presentation, commending the Secretariat for the level of financial information that it was now possible to generate, for linking the work plan to the strategic objectives, for the tracking of reduction in operating expenses so as to see where cost savings had been reinvested, and for reducing travel and operating costs. The constituency underlined the need for clarity surrounding how to measure improved effectiveness in country coordination, and suggested that the Global Fund use recoveries rates as a point of comparison for future benchmarking exercises. The constituency also noted a lack of focus on gender issues within the work plan.
42. The Private Sector commended the Secretariat and the FOPC for their work in installing more rigorous and comprehensive budgeting and financial administration practices and systems. The constituency requested that going forward the FOPC work plan should include support for the setting of a regular and defined reporting schedule and format. The Private Sector also noted the June completion date for the Key Performance Indicators ("KPIs"), and, citing the KPI on human rights, indicated support for recent Global Fund statements in relation to the laws passed in Nigeria and Uganda.
43. Point Seven echoed the expressions of appreciation for the improvements to the financial management systems and creation of the work plan, before making a request that the decision point should approve the work plan as well as the budget, and that the Secretariat should report back to the Board on the deliverables under this work plan, reminding Board Leadership that this had been discussed at the Thirtieth Board Meeting.
44. Latin America and the Caribbean extended further thanks to the Secretariat, in particular for the special sensitivity to middle income countries and the changing nature of Global Fund support, and asking to be included in future consultation on work related to middle-income countries.
45. France expressed support for the modernization of the relationship with the Trustee, echoed comments in support of gender and human rights, underlined the importance of productivity improvements so as to ensure funding for costly programs to support

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<sup>12</sup> Operational efficiency ratio: total OPEX/(total OPEX + total disbursements).

<sup>13</sup> Management fee ration: total OPEX/total active grants under management forecasted at the moment of the benchmark (November 2013).

<sup>14</sup> Productivity indicator: average grant commitment amount/total staff.

- vulnerable populations, and encouraged the organization to further reduce external fees.
46. Germany thanked the Secretariat and the FOPC for their excellent work, before raising a point of clarification regarding the fact that the 2013 actuals were USD 7 million below the forecast, and enquiring as to the incorporation of this “saving” into the 2014 budget. Germany then expressed concern regarding the sudden flux of disbursements in the fourth quarter of 2013, emphasizing that these funds would not have been spent immediately by countries, and were therefore certainly exposed to foreign exchange risk.
  47. The European Commission echoed Germany’s comments regarding high rates of disbursement, adding that these disbursements had been made only weeks ahead of having visibility over finances in countries. Regarding the budget, the constituency noted that actual savings on operating expenses could be used for program purposes and that the provision for the implementation of the new funding model was generous and should be sufficient. Furthermore, the European Commission expressed hope that the staffing costs could be reduced in 2015 following the implementation of the new funding model, and that professional fees be further examined by the incoming FOPC to find further savings. In addition, the constituency noted that LFA fees remained high. The European Commission underlined their expectation that fiduciary control-related costs would be reduced under the combined assurance model. Finally, the constituency invited the incoming Coordinating Group to review the costs of governance in the next budget.
  48. Eastern and Southern Africa noted their appreciation of the information presented and then called for the Global Fund as a whole to look for and implement efficiency gains, expressing concern that staffing and professional fees were a significant portion of the OPEX budget at 57.6 percent. The constituency recommended that the 2015 operating expenses budget be based on performance, consistent with the performance based funding model. The constituency asked whether the Board could receive regular updates on the performance of the Global Fund teams so as to monitor impact of the OPEX budget, and finally, they suggested that the budget in support of strategic objective 4, promotion and protection of human rights, be increased, and that the work in pursuit of this objective be led by countries with increased CCM involvement.
  49. The Eastern Mediterranean Region congratulated the Executive Director and staff for excellent work in bringing the organization back onto the right track. Raising one suggestion, the constituency commented that further increases to the budget would likely be required in order to support CCM capacity so as to improve governance at country level.
  50. Eastern Europe and Central Asia followed other constituencies in commending the Finance Division’s work on improvements to the financial framework, before echoing the comments advocating increased funding for gender and human rights. The constituency also expressed concern at the high costs of LFAs and urged that the Global Fund should seek value for money in LFA services. It also expressed support for increased funding to CCMs.
  51. Developing Country NGOs welcomed the alignment of the operating expenses budget with a work plan, underlining that this would facilitate review of performance. The constituency then raised two points for clarification, first enquiring as to who would be responsible for the assessment of use of resources and performance against the work

plan, and secondly asking who would be leading the evaluation of the new funding model, the mid-term review of the Global Fund Strategy, and the ten year evaluation of the Global Fund.

52. Developed Country NGOs expressed support for the comments raised regarding KPIs, human rights, and the proposal that the Board approve the work plan, before commenting on the need for the Secretariat to ensure sufficient resources for the successful implementation of the new funding model, and enquiring as to the Secretariat's plan to improve the procurement completion rate of 37 percent against an industry standard of 97 percent.<sup>15</sup>
53. Further expression of support for the FOPC's work on the OPEX budget came from Communities, who thereafter outlined their concerns that only 1 percent of resources are committed to human rights, key affected populations and gender, despite this being listed as a key strategic objective of the organization. Furthermore, the constituency expressed concern that reduction in staff and professional fees might impact on portfolio performance. They requested the guidance of the FOPC at quarterly reviews to ensure that the proposed corrective actions do not have a negative impact on the performance of the Secretariat in supporting countries in the delivery of high impact, ambitious programs.
54. Canada and Switzerland provided support for earlier comments regarding professional fees and human rights, encouraged the Global Fund to integrate Global Fund-supported maternal, newborn and child health ("MNCH") interventions into existing MNCH programs, and requested further information on the Rwanda experience of the Results Based Financing partnership so as to consider extension of this approach into other countries.
55. In the final round of comments from the floor, the World Bank confirmed their commitment to the new role of the Trustee, and congratulated the Global Fund for the steps taken to evolve into a more effectively managed financial institution with full and appropriate risk management and financial controls. Partners made a suggestion regarding development of a dashboard system to compile key financial information, KPIs and programmatic aspects, underlined their support to the development of the Global Fund Strategy 2017-2021, and requested an update on the initiative to improve Board efficiency.
56. West and Central Africa called for the work plan to be implemented with greater transparency. They also requested greater detail surrounding technical assistance, a stronger approach to human rights, and expressed a desire to see support to strengthen CCMs through a participatory approach.
57. Finally, South East Asia commended the work of the Finance Division, requested increased elaboration regarding KPIs, and underlined the importance of value for money with respect to LFA costs.
58. Following the extensive comments from the Board, the FOPC Chair indicated that many of the issues raised had been deliberated in detail at the Committee, before inviting the CFO to respond to the specific queries. Mr Camus first commented on the high level of interest in the work plan, advising that in the future, this would include performance tracking. Responding to comments relating to the budget, Mr Camus

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<sup>15</sup> Procurement completion defined as: *On Time and In-Full service to recipient countries.*

provided a breakdown of professional fees, informing the Board that around two thirds of the figure was inflexible, given the need for professional compliance services and support to transformation and the new funding model. Next, the CFO responded to comments on the high LFA costs, assuring the Board that while this element of the budget needed to remain high during the initial stages of full implementation of the new funding model, there would likely be flexibility to reduce those costs thereafter. Third, Mr Camus reassured the Board that all plans (mid-term plan, budget, forecast) would lead to a follow-up of actuals versus projected figures, embedded in a reporting dashboard, and that this follow-up would become routine procedure.

59. In response to comments surrounding the surge in disbursements during the final quarter of 2013, Mr Camus informed the Board that this corresponded to the design of the related 2013 Board approved corporate KPI<sup>16</sup> inciting increased levels of disbursement which was identified as the most suitable measurement to signal positive performance. Going forward, as currently being discussed by members of the Secretariat's Management Executive Committee, this corporate KPI should be complemented by a link to country expenditure rates so as to ensure centralized management of currency and liquidity risks. The CFO explained that the 2014 KPIs were under development, including more difficult indicators surrounding gender and human rights, and would be reported to the Board in June. Lastly, the CFO reassured the Board that as at January 2014, the Global Fund was not experiencing foreign-exchange losses.
60. Responding to comments from Germany, Mr Camus advised the Board that it is common practice to base a budget on the most recent forecast, and that the 2013 actuals were included as part of the presentation in the interest of transparency. The CFO stressed that all necessary adjustments made to the budget framework presented to the Board would be jointly managed by the Finance Division and the FOPC to ensure the organization stays on track with the overall budget.
61. The Chair and Vice-Chair of the FOPC committed to an effective handover and induction with the incoming leadership of the Committee on the issues discussed. Noting that the focus of this Board Meeting was on decisions surrounding the launch of the new funding model, Mr John Monahan, Vice-Chair of the FOPC, reminded the Board that this model rested on a foundation of efficient and effective financial management, and acknowledged the work of the Finance Division in bringing the organization to a position where these important policy decisions were possible.
62. As discussions drew to a close, the Executive Director made some brief remarks on human rights and gender, underlining the Secretariat's agreement that gender required increased focus, as noted in the Executive Director's recent reports. Furthermore, he invited the Board to attend the lunchtime session on gender in the margins of this Board Meeting. Dr Dybul then explained that the Global Fund's investment in human rights and gender was systemic, integrated into all activities, and therefore not fully identifiable in conventional budget analysis or a work plan. He closed by assuring the Board that the Secretariat would continue to give attention to these issues and to strengthen the Global Fund's capacity to work effectively in these fields.
63. Before discussion moved to consideration of the decision point, Point Seven proposed an amendment to include approval of the work plan. The proposed amendment was

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<sup>16</sup> KPI 15 on Efficiency of Grant Management Operations.

not accepted for procedural reasons. The constituency's recommendation that the work plan be approved by the Board was noted for the record, and for future discussion in the FOPC.

64. The Board approved the 2014 operating expenses budget in the amount of USD 298.8 million including USD 20.5 million for the OIG (Decision Point GF/B31/04).

**Agenda Item 4: Framing the sequencing of decisions to be taken at the Board Meeting to ensure full implementation of the New Funding Model**

65. The Chair of the Board opened the session with a reminder to the Board of the objective of the Global Fund Strategy 2012-2016, and of the new funding model, which was to maximize the impact of Global Fund investments. Commending the Secretariat, the SIIC and the FOPC for the vast undertaking that the development of the new funding model had entailed, the Chair of the Board reiterated that this meeting's agenda had been structured to facilitate effective understanding of and agreement on the interdependencies between the decisions which, collectively, would launch the new funding model.
66. The Chair of the FOPC acknowledged the Board's ownership of the work presented for decision through their representation on the SIIC and the FOPC. The Chair of the SIIC, Mr Todd Summers, emphasized the Global Fund's intention to ensure that resources are focused on countries with the highest disease burden and least ability to pay. Furthermore, the Chair of the SIIC cited the following elements aimed at enabling the new funding model to fulfill its objective of maximizing impact: increased predictability for countries over resources; incentive funding to promote more ambitious proposals; a move from project-based support towards investing in national strategies; and a focus on dialogue and increased interaction not only with countries, but with partners. The combined objective of these elements is to ensure that investments target high-impact, high-priority interventions.
67. The Chair of the SIIC then proceeded to describe the sequence of decisions to be taken at the meeting. First, approval of changes to the Comprehensive Funding Policy, recommended by the FOPC. Second and third, approval of funds available for investing in special initiatives and regional programs, decisions recommended by the SIIC. Fourth, approval of the amount of the initial allocation of sources of funds arising from the Fourth Replenishment, as determined by the FOPC in line with the amended and restated Comprehensive Funding Policy. Fifth, approval of a number of unique measures to enable the transition from the Third to the Fourth Replenishment Period, which coincides with the shift from the rounds-based system to an allocation-based system under the new funding model. These were presented by both the SIIC and the FOPC. Finally, the sixth decision to establish the four Country Bands and approve the composition of and funding allocations to those Bands.
68. The Chair of the Board received comments from Canada and Switzerland, who commended the work of the Chairs and Vice-Chairs of the SIIC and FOPC, noted the coherence of the package of decisions as presented, welcomed the hard work of the Executive Director and the Secretariat in implementing the new funding model, and highlighted the work needed to contribute to health systems strengthening, monitoring and evaluation of the impact of these investments, robust risk management, and improvements to the governance structure. A further intervention from Japan noted the need for the full launch of the new funding model in order for Japan's contribution to the Global Fund to be transmitted.

**Agenda Item 5: New Funding Model Financial Matters: Comprehensive Funding Policy**

69. The Chair of the FOPC, Dr Viorel Soltan, introduced the amended and restated Comprehensive Funding Policy as a critical policy for the Global Fund, stating that if left unchanged, the policy would prevent the launch of the new funding model. Dr Soltan proceeded to outline the reasons for this statement, noting that the policy lacked the clarity and predictability required to move from a rounds-based funding model to an allocation-based funding model. In addition, Dr Soltan indicated that the current policy lacked the conceptual funding framework to support the launch of the new funding model, and contained inconsistent and outdated financial concepts ill-aligned with the principles of allocation-based funding. Finally, he pointed out that the policy had been amended by a series of decision points over time, which had not been consistently integrated into the policy document itself. Faced with these inconsistencies, the FOPC had therefore created a working group to focus on amending the policy, and this item had been the subject of discussion at the FOPC and with the Secretariat over a period of eight months.
70. Dr Soltan explained that the amended and restated policy would allow alignment of replenishment with allocation periods, maximize upfront country allocations, and permit the required flexibility surrounding country applications to the Global Fund, thus fully supporting the strategy of the Global Fund. To outline how the principles underlying the amended and restated Comprehensive Funding Policy would support the principles of the new funding model, the Chair of the FOPC emphasized that the revisions allow for prudent upfront financial decisions, maximization of the funding envelope to be allocated at the start of an allocation period, and tools to improve portfolio management, financial tracking and monitoring.
71. Dr Soltan then provided an explanation of the three tiers of financial safeguards embodied in the policy. First, asset and liability management ensures dynamic forecasting to monitor and manage fluctuations such that sources and uses of funds are matched over the three-year replenishment period; second, cash management matches actual and expected cash inflows (e.g., contributions) and outflows (e.g., grant disbursements) over a rolling, forward-looking, one-year period, which provides constant visibility over a 12-month horizon; and third, day-to-day liquidity risk management, facilitated by a minimum liquidity reserve and potential back-up liquidity instruments. Further financial management measures would be available through standalone, but complementary, policies regarding foreign exchange risk management and investments. The Vice-Chair of the FOPC, Mr John Monahan, added that this policy should be considered a central document for the organization, indicating that it was the framework to move the new funding model forward.
72. The Chair of the Board opened the floor for points of clarification. The European Commission reconfirmed the importance of the amended and restated Comprehensive Funding Policy, recalling the difficulties faced by the Global Fund in 2011, the lack of a financial system providing reliable data and the unknown yet significant magnitude of the pipeline at that time. The constituency further emphasized that Global Fund funds should not remain idle, be it in the Global Fund's accounts or in country, rather there should be improved financial flows from receipt to actual good use in a country program. This requires a strong treasury function, clear relations with the Trustee, and increased collaboration with recipient countries to ensure alignment with national



financial systems and processes. The European Commission underscored the benefit of the amended and restated policy to guide donors, ensuring effective use of actual contributions to provide predictable support to implementers. Finally, the constituency stated that the amended and restated Comprehensive Funding Policy would serve to render the Global Fund fit for purpose.

73. Echoing comments made during the pre-Board session of the previous day, the Developing Country NGOs constituency acknowledged the commendable work of the FOPC and the Finance Division, and requested additional safeguards to support the transition to the new policy, and improved communication with constituencies surrounding this matter. The Vice-Chair of the FOPC reconfirmed the importance of Board attention to the implementation of, and compliance with, the amended and restated Comprehensive Funding Policy, the monitoring of the Global Fund's relationship with World Bank (e.g., the transition of certain responsibilities from the Trustee to the Secretariat), and the need for effective communication to ensure understanding of the complex issues at stake.
74. The Board approved the amended and restated Comprehensive Funding Policy (GF/B31/DPO5).

**Agenda Item 6: New Funding Model Strategic Matters: Setting the level of funds for special initiatives and regional programs**

75. Mr Shaun Mellors, Vice-Chair of the SIIC, introduced the second and third decisions to be taken in order to launch the new funding model, decisions which would set the level of funding for special initiatives and regional programs. Reminding the Board that setting the funding levels for special initiatives and regional programs was prerequisite to determining the initial allocation, Mr Mellors presented the recommendation of the SIIC, namely to allocate USD 100 million for special initiatives, and USD 200 million for regional programs.
76. Mr Mellors highlighted key elements of the discussions held at the three most recent SIIC meetings (i.e., the 9<sup>th</sup>, 10<sup>th</sup> and 11<sup>th</sup> SIIC Meetings), emphasizing that investment in special initiatives should only be considered when funding from country allocations is not possible. The SIIC Vice-Chair informed the Board that the Committee had shifted from an initial recommendation at the time of the 10<sup>th</sup> SIIC Meeting which requested the Board to first allocate USD 79 million for immediate use while retaining USD 21 million to be allocated to initial investments or other specified initiatives upon SIIC approval of updated budget and implementation plans.
77. The Vice-Chair of the SIIC outlined the categories of special initiatives as agreed by the Committee, and the respective recommended levels of funding within the USD 100 million envelope, as follows: USD 30 million for the humanitarian emergency fund; USD 17 million for country data systems; USD 29 million for technical assistance for strong concept notes, and Principal Recipient grant-making capacity building; USD 15 million for technical assistance on community systems strengthening, human rights and gender; and USD 9 million for enhancing value for money and financial sustainability. The Committee amended its initial recommendations on certain amounts and categorizations after further deliberations at the 11<sup>th</sup> SIIC Meeting.<sup>17</sup>

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<sup>17</sup> The SIIC amended its initial recommendation by increasing the amount for country data systems from USD 5 million to USD 17 million, combining the initiatives on technical assistance for strong concept notes and Principal

78. The Vice-Chair of the SIIC then outlined the recommendation for regional programs, reminding the Board that funding for regional programs applied to countries within the same geographical region, working to address common issues, such as cross-border interventions and structural barriers impeding access to services (e.g., harm reduction, advocacy and policy, drug resistance, displaced populations, etc.). Mr Mellors highlighted the need for regional programs to be strategically focused and demonstrate strong potential for high impact. He explained that they would typically include activities which could not be appropriately funded through a country allocation due to their inherently regional nature.
79. Presenting the proposed allocation of USD 200 million for regional programs, the Vice-Chair of the SIIC provided some background, noting that since Round 8, funding for regional programs accounted for approximately 1.5 percent of total approved funding, equivalent to around USD 165 million over a three-year period. Based on this, Mr Mellors indicated that the SIIC felt confident that an amount of USD 200 million would be adequate for the 2014 - 2016 allocation period. He also clarified that should it be necessary, the Secretariat could come back to the SIIC with an additional request for funding for regional programs.
80. Before presenting the two decision points for Board consideration, Mr Mellors outlined the two-step application process to be used for new regional programs: (a) the submission of a brief Expression of Interest (“EOI”), for Secretariat review, and, upon further invitation, (b) submission of a fully-developed concept note to the Technical Review Panel (“TRP”).
81. Final points of clarification from the Chair of the SIIC confirmed that multi-country applications would be funded from the allocations of the country components participating in such multi-country application rather than the amount available for regional programs. Applications to access the USD 200 million available for regional programs will undergo the same concept note review and approval process as single-country applicants. Returning briefly to the recommendation for special initiatives, the Chair of the SIIC noted that funding for special initiatives was not intended to represent the total resources for the five categories of issues, rather additional funding above provisions already made within country grants. Mr Summers informed the Board that the SIIC and the Secretariat had agreed that the Secretariat would convene a group of stakeholders to ensure alignment on areas such as technical assistance so as to ensure the Global Fund’s approach does not cause any in-country confusion.
82. In discussing the decision point, the Chair of the SIIC indicated to the Board that the proposed decision would delegate authority to the SIIC to approve movement of allocations to the five special initiative areas, within the USD 100 million envelope.
83. Before opening the floor for comments and questions, the Vice-Chair of the Board, Ambassador Mireille Guigaz, chairing this session, welcomed comment from the Executive Director, who emphasized that the special initiatives and regional programs were central to the success of the new funding model, and to the Global Fund’s ability to deliver on the new funding model in a strategic way, with maximum impact.

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Recipient grant-making capacity building, and increasing the amount for enhancing value for money and financial sustainability from USD 8.5 million to USD 9 million.

84. The Communities constituency requested clarification about the decision-making process where the expression of interest for regional programs exceeded the allocation, and the process and authority for decisions on allocations to regional programs. The constituency also expressed their concern related to the special initiatives, where there is not a clear process for the involvement of communities in the development of national strategic plans, and suggested clear agreement was needed with partners to provide resources to support their involvement. Finally, the constituency recommended the engagement of human rights and gender expertise in developing and reviewing the protocol for country data systems.
85. Partners expressed their support for the special initiatives and regional programs and recognized the work of the Secretariat in engaging partners in relation to technical assistance for strong concept notes, before posing the following questions. First, regarding the special initiatives, the constituency requested clarification as to the distinction between country data systems and technical assistance for strong concept notes. Partners also queried what “PR grant-making capacity building” and “enhancing value for money” actually represented.
86. UK and Australia noted their support for both decisions, indicating the need for an appropriate framework for careful monitoring of the effectiveness and impact of the special initiatives and regional programs. The Private Sector constituency questioned the Secretariat’s capacity for rapid response needed to deliver support for services which could be made available under the humanitarian emergency fund, requested further information related to the process for evaluating regional programs, and highlighted the short deadline for 2014 submissions of interest for regional programs, suggesting an extension or additional window for submission later in the year be considered.
87. In response to comments raised thus far, the Chair of the SIIC offered the following clarification. First, the sum of USD 200 million for regional programs was considered sufficient by the SIIC, but that in the event of quality demand exceeding this sum, the SIIC could bring a request to the FOPC and the Board for additional resources if available. Second, he explained that the process for assessing regional applications remained the same as for individual country grants and included a Secretariat review process, TRP review and Board approval. Third, in terms of ensuring money is well-spent, again, the same rigor is applied to single-country grants, regional programs and special initiatives. Fourth, in relation to queries about the technical issues related to grants, the Chair of the SIIC explained that in addition to a review process by the Secretariat and the TRP, the Global Fund would also rely on normative guidance of technical partners. Finally, responding to Partners’ queries regarding the allocation amounts within the special initiatives, the Chair of the SIIC referred the constituency to the Board documentation that provided analysis of these distinctions (GF/B31/08A – Revision 1).
88. The Head of Grant Management, Mark Edington, responded to the operational queries raised by Board Members. First, regarding the deadline for 2014 expressions of interest for regional programs, Mr Edington indicated that it was likely there would be an extension of one month, with notification to this effect expected shortly after the Board Meeting.<sup>18</sup> Regarding measurement of results, Mr Edington reiterated the point made by the Chair of the SIIC that the Secretariat would apply rigor to investments in special initiatives and regional programs, noting the move from “input” and “output”

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<sup>18</sup> The deadline was indeed extended to 1 May 2014.

indicators to “outcome” indicators, including related coverage rates for key affected populations.

89. Responding to comments about the humanitarian emergency fund, the Head of Grant Management clarified that this funding would enable the Global Fund to fight the three diseases in certain emergency situations. The initiative could provide for the increased cost of operating in fragile states, and Mr Edington assured the Board that this did not entail different standards for outcomes. Finally, Mr Edington acknowledged the need for effective coordination of technical support with partners so as to avoid duplication of efforts, echoing the comments raised by Partners.
90. During a second round of comments, Eastern and Southern Africa confirmed their support for the decisions, whilst underlining the importance of political will in ensuring the success of regional programs, and, referring to the special initiatives funding for technical assistance for strong concept notes. They also highlighted the significance of a strong national strategic plan as a prerequisite for a strong concept note, and expressed the opinion that for increased impact and effectiveness, funds should be allocated for PR capacity building and community rights and gender.
91. Eastern Europe and Central Asia commended the humanitarian emergency fund for its support of continuation of essential services in the event of major political turbulence, a comment echoed by the Eastern Mediterranean Region constituency, which encouraged swift implementation of the initiative and proposed support to the development of guidelines and needs assessment for effective use of this funding.
92. Latin America and the Caribbean requested clarification surrounding the recent amendment to the proposed decision through which funds for PR grant-making capacity building and technical assistance for strong concept notes had been merged into one package. The constituency expressed their support for an extension or a mid-term opportunity to submit expressions of interest for regional programs, and finally, underlined the need to continue to work on explicit criteria for the special initiatives, in particular on human rights.
93. In response to the second round of comments, the Chair of the SIIC first underlined that regional programs would push the Global Fund, together with partners, to increase proactive efforts to engage countries to develop regional applications, and to encourage the necessary political will for progress. Regarding technical assistance, Mr Summers reminded the Board that the majority of technical assistance support is provided for through the grant-making process, clarifying that the special initiative is intended to provide technical support where it does not already exist in a catalytic manner, particularly in order to support improvement to national strategies, given the key focus of the new funding model on investing in national strategies. Mr Summers confirmed the agreement of the Committee regarding the importance of having the Secretariat develop guidelines for the use of the humanitarian emergency fund, thanking the Eastern Mediterranean Region for their proposal of support to the development of these, a proposal subsequently welcomed by the Head of Grant Management.
94. The Head of Grant Management further explained that the investment foreseen in the special initiative for technical assistance for the development of strong concept notes was an initiative which provides one of several levers to respond to the expected increase in concept note development in the coming year. With respect to the Latin America and Caribbean’s request for a second opportunity to submit expressions of

interest for regional programs, further discussions would follow the outcome of the first round of submissions.

95. UNAIDS welcomed the special initiatives and thanked the Secretariat for the proposal to convene technical partners in order to align coordination efforts. UNAIDS informed the Board of two recent decisions taken by the UNAIDS Program Coordinating Board to fully support the new funding model and countries' submission of concept notes, and to support countries to set new targets beyond 2015 so as to refocus the AIDS response. The Vice-Chair of the Board thanked UNAIDS for their increased cooperation and collaboration with the Global Fund.
96. Canada and Switzerland made two observations. First, the strengthening of data systems should be funded through Health Systems Strengthening grants, and secondly, that enhancing financial sustainability should be embedded in the ongoing efforts of countries to develop finance strategies moving towards universal health coverage. Care should be taken not to disrupt these efforts.
97. Private Foundations commented on the Board's advisory role around the strategic investments that should be made under the regional programs, providing three suggestions for focus, as follows. First, regional initiatives supporting issues relating to legislation, including anti-homosexuality legislation and other laws which impact on HIV epidemics. Secondly, the constituency recommended that the Global Fund be proactive around regional malaria elimination initiatives, and third, the constituency enquired as to the opportunities to proactively invest in regional activities for tuberculosis as a means to address underfunding.
98. The Western Pacific Region expressed gratitude to the Global Fund for enabling small countries to access funding through multi-country grants, before noting concern surrounding eligibility of the countries involved in such grants.
99. Point Seven expressed support for the special initiatives and regional programs, before presenting three questions. First, returning to the comments relating to the humanitarian emergency fund, the constituency requested confirmation that the Global Fund would not become a humanitarian actor beyond the organization's mission and mandate. Secondly, the constituency invited further explanation as to the links between the special initiatives for data and sustainable financing, and the more significant resources available to address Health Systems Strengthening at a cross-cutting level. Next, the constituency expressed concern about funding for technical assistance, and questioned the effective functioning of technical partnerships and whether this should be discussed at a more strategic level. Finally, a brief comment followed regarding the need to improve communication with Country Coordinating Mechanisms during this period of change so as to ensure access to accurate information relating to decisions and opportunities.
100. The Head of Grant Management reacted to the second round of comments, first directing the Western Pacific Region to the eligibility criteria embedded in the decisions of the last Board Meeting. In response to questions concerning the interrelations between data systems and financial systems under the special initiatives, Mr Edington reiterated that most funding would be channeled through regular grants, and that these were small sums intended to supplement strengthening of these systems. Mr Edington underlined the need for data in countries where data systems are currently not well developed, both to produce a strong concept note and to facilitate mid-term review reporting, clarifying that data systems were not intended to

replace financial systems, rather to strengthen them. Responding to the comments of the Private Foundations constituency, Mr Edington confirmed that the Secretariat was already pursuing the four issues raised in liaison with technical partners. Finally, Mr Edington assured the Board that the USD 30 million allocated for the humanitarian emergency fund did not imply transformation of the Global Fund into a broader humanitarian organization.

101. Reflecting on discussions at the SIIC, the Developed Country NGOs constituency reported on the robust discussion around the importance of regional programs for most-at-risk populations, and communicated the Committee's strong support for technical assistance on community system strengthening, human rights and gender, noting the importance of ensuring clear measurement and tracking of these initiatives to ensure resources are identified to provide ongoing support.
102. Germany confirmed their trust in and respect for the work of the Secretariat and the SIIC, but expressed two key concerns requiring close monitoring and evaluation. First, funding for special initiatives and regional programs had been set before receiving expressions of interest, and second, that the special initiatives should not become a set of independent 'mini funds'. The constituency felt these two concerns would require close oversight.
103. WHO confirmed the commitment of the organization and of Director General Dr Margaret Chan to working in partnership with the Global Fund and to providing technical expertise, thus contributing to the success of the new funding model, and cautioned that capacity building of PRs must go beyond the development of a strong concept note alone, and should be considered as a continuum throughout the grant lifecycle.
104. In the final constituency comment of the session, the Developing Country NGOs requested clarification as to how the strength of a county's concept note would be measured, and by whom.
105. The Chair of the SIIC responded to the comments first by assuring the Board that many of the concerns raised had been discussed in detail by the Committee, including the concerns related to the creation of 'mini funds' or isolated 'pocket programs'. Mr Summers confirmed the important role of the SIIC and the FOPC in providing monitoring and oversight to ensure that programs are implemented in line with the promises made and the decisions taken. He reiterated that the same measurement standards and frameworks for impact would be applied to the special initiatives and regional programs as those applied to all grants.
106. Finally, in relation to the review process for country concept notes, the SIIC Chair underlined the importance of the country dialogue process, and the fact that concept notes would now be based increasingly on national strategies or investment cases. Mr Summers emphasized that this fundamental approach of the new funding model would serve to provide greater visibility and to enable the organization to fulfill its commitment under the Global Fund Strategy to support comprehensive approaches by countries that address both treatment and prevention. Outlining again the multiple steps of the review process through the Secretariat, TRP, GAC and the Board, Mr Summers underlined the fact that the country dialogue was the fundamental step in ensuring that the Global Fund invests in technically sound and comprehensive strategies.

107. Following the extensive discussion, comments and requests for information outlined above, the Board approved the SIIC's recommendation on the special initiatives and regional programs (Decision Points GF/B31/DP06 and GF/B31/DP07).

**Agenda Item 7: New Funding Model Financial Matters: Resources Available for Allocation**

108. The Chair of the Board introduced the agenda item, noting that the determination of the resources from the Fourth Replenishment available for allocation to Country Bands (the "Initial Allocation") had been discussed extensively both at Committee level and during the pre-Board meetings, and thanked the FOPC leadership for the intelligent consideration of questions presented to them related to this decision.
109. Mr John Monahan, Vice-Chair of the FOPC, gave a presentation to the Board, recalling the analysis presented the previous day, and clarifying how the decision at hand fitted into the framework of decisions required to launch the new funding model. Mr Monahan explained that the amended and restated Comprehensive Funding Policy established the principles and methodology by which the results of the Fourth Replenishment should be converted into the Initial Allocation figure for the 2014-2016 period, having established during the previous session of the meeting the funding for special initiatives and regional programs, which would be separate from the allocation to Country Bands.
110. The FOPC Vice-Chair recalled the results of the Fourth Replenishment conference, as announced on 3 December 2013, of USD 12.01 billion, updated to USD 12.2 billion following additional pledges after the conference. Mr Monahan then outlined the adjustments made by the Committee, pursuant to the amended and restated Comprehensive Funding Policy just adopted, accounting for certain donors' technical assistance requirements and other donor conditions. These adjustments had resulted in a reduction of USD 780 million, and thus to an adjusted replenishment result of USD 11.42 billion. Further deductions were then taken, including the Secretariat's estimated operating expenses budget over 2014 - 2016 (USD 900 million) and the amounts allocated for special initiatives (USD 100 million) and regional programs (USD 200 million).
111. Applying the methodology of the amended and restated Comprehensive Funding Policy, and using the best analysis of the FOPC based on information received from the Secretariat, the Initial Allocation figure for the 2014-2016 period therefore totaled USD 10.22 billion.
112. The Initial Allocation amount was then divided into indicative and incentive funding according to the Board's prior decision on the incentive-funding percentage.<sup>19</sup> Based on the USD 10.22 billion Initial Allocation amount, the incentive-funding percentage for the 2014 - 2016 allocation period is 10 percent. Once the amount representing Country Band 4's (i.e., higher income and lower disease burden) share of the Initial Allocation was removed, 10 percent was applied to the remaining amount, resulting in USD 950 million for incentive funding, and an indicative funding amount of USD 9.27 billion.

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<sup>19</sup> Board Decision GF/B29/EDP10.

113. Following the FOPC Vice-Chair's presentation, the Executive Director thanked the Committee and the Secretariat for their hard work, and reiterated his particular appreciation to all who had contributed to the success of the Fourth Replenishment.
114. Without further question or comment, the Board approved the Initial Allocation of USD 10.22 billion for the 2014 to 2016 replenishment period (Decision Point GF/B31/08).

**Agenda Item 8: New Funding Model Financial Matters: Transitioning between the Third and Fourth Replenishments**

115. Introducing the fifth decision required to launch the new funding model, Dr Viorel Soltan, Chair of the FOPC, commenced his presentation by outlining the context and unique challenges of the transition from the Third to the Fourth Replenishment Period, noting the complexities involved in moving from a rounds-based funding model to an allocation-based funding model. He emphasized that this transition process, which would be enabled by the adopted amended and restated Comprehensive Funding Policy, required one-time exceptional measures to address programmatic and financial issues. Dr Soltan further noted that the existence of an active pipeline of grants inherited from the rounds-based model represented a key challenge for this transition. The Chair of the FOPC informed the Board that the SIIC and the FOPC had worked closely on the proposed approach to the transition from the Third to the Fourth Replenishment period, aiming to address challenges presented by this transition whilst upholding the strategic principles of the new funding model and maintaining operational flexibilities.
116. Dr Soltan presented the Board with a visual representation of the total indicative allocation for Country Bands of USD 14.82 billion, comprised of indicative funding of USD9.27 billion arising from the Fourth Replenishment and USD 5.55 billion of "existing funds" as at 31 December 2013<sup>20</sup> and the existing grants pipeline<sup>21</sup> of USD 9.06 billion as at 31 December 2013. Dr Soltan then explained the timeline for transition, recalling that the allocation and replenishment periods would all be aligned to a three-year cycle under the new funding model. In this context, the Chair of the FOPC reminded the Board about the essential principle of the amended and restated Comprehensive Funding Policy, i.e., that the entirety of funds would be invested, and that allocations made during a particular replenishment period should be matched to actual available funds for the same period. Dr Soltan further noted that funds allocated for the 2014-2016 Replenishment period would typically be utilized over four years starting from 1 January 2014.<sup>22</sup> Dr Soltan explained that grant implementation would continue during this first year as applicants prepare and submit funding requests. Therefore it is expected that the first year will provide applicants with an opportunity to move to the new system and engage with the Secretariat during the country dialogue. This will provide time to further develop or re-program the activities and initiatives to be funded over the next three years.

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<sup>20</sup> Undisbursed sources of funds originating from the Third Replenishment Period or earlier, as at 31 December 2013.

<sup>21</sup> Potential pipeline of grant funding due to Board-approved proposals or other Board decisions originating from the Third Replenishment Period or earlier, as at 31 December 2013.

<sup>22</sup> The total allocation consists of the USD 10.22 billion Initial Allocation and the USD 5.55 billion of existing funds, as outlined in GF/B31/05 – Revision 1 and GF/B31/DPO9.



117. Summarizing the total funds available for country programs<sup>23</sup> (USD 16.4 billion) based on funds arising from the Fourth Replenishment and previous Replenishment Periods, Dr Soltan emphasized that the resulting average implied funding level over the four-year period represented USD 4.1 billion per year. This represented an increase of approximately 20 percent compared to the average Global Fund annual disbursement rate of the past three years.
118. The Chair of the SIIC provided an overview of the proposed transition modalities for allocating funds over the 2014-2016 Replenishment Period. He emphasized that the intent was to combine resources arising from the Fourth Replenishment and previous replenishment periods with the aim of investing the entirety of funds available in a comprehensive and strategic manner toward the achievement of higher impact. The Chair of the SIIC clarified that the minimum level of funding for a particular applicant would be determined based on the higher of either: (a) the existing pipeline of grant funding as of 31 December 2013, or (b) the sum of the last four years of disbursements less 25%. This provision could be considered a commitment to countries which are currently notionally over-allocated to maintain sufficient funding while providing a process to gradually move funding levels towards the distribution derived from the allocation formula. Mr Summers noted that it would take some time to rebalance funding between under-allocated and over-allocated components.
119. Mr Summers continued with a clarification that the entirety of funds to be allocated, i.e., indicative funding as well as incentive funding, would typically need to cover a period of four years starting from 1 January 2014. The proposed approach to the transition provides the Secretariat with some operational flexibility with respect to grant duration, allowing shorter or longer grant terms in order to maximize impact. He then presented the decision point to the Board, noting that the text had been amended one day earlier following receipt of a friendly amendment agreed to by both the SIIC and FOPC.
120. The floor was then opened for comments. Germany expressed discomfort with the revision to the text of the decision point under which the reference to sustainable rates of investment had been removed, commenting that it had been on the basis of inclusion of such language that Germany had supported the inclusion of a “not-yet-approved second phase of renewals” as part of the existing grants pipeline.
121. Speaking on behalf of the Implementers and recalling the statement shared with the Board two days earlier, the Developed Country NGOs commented as to the rationale behind the proposed amendment to the decision point, noting that the focus of the implementer bloc’s discussions with the Committees and the Secretariat had been on how to invest for maximum impact. The constituency outlined the desire to achieve the following three key points: (a) stimulate the development of ambitious plans; (b) encourage a stronger focus on country ownership; and (c) promote use of operational flexibility to maximize impact. Based on these elements, the implementers had been invited by the Secretariat to provide input on the communications with countries, and had drafted the friendly, clarifying amendment to the decision point currently under consideration.
122. Discussion ensued among the Board Members (e.g., Japan, France) and the Chairs and Vice-Chairs of the SIIC and FOPC surrounding the language of the decision point. The

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<sup>23</sup> Total funds available for country programs include incentive funding and funding for regional programs, new and existing, and special initiatives.

Chairs of the SIIC and FOPC reassured the Board with respect to the nature of Committee discussions, particularly that the Secretariat would work with countries to appropriately exercise operational flexibility, and that seeking an increase in impact was, in any case, a foundational principle underlying the new funding model. As negotiations continued, the Executive Director spoke to clarify that the notion in the present decision point of protecting existing investments referred principally to commodity protection, and to preventing the collapse of successful programs due to premature reduction in funding.

123. Partners requested clarification from the Executive Director as to the nature of the operational flexibilities provided by the decision point, and how the Secretariat and the Committees intended to monitor use of these flexibilities and demonstrate their application. Dr Dybul reiterated the example of grants with shortfalls around commodities, whose grant periods could be shortened, underlining that this would not entail borrowing against the next replenishment period. The Executive Director noted that a second area of flexibility related to outcome and impact, or finding opportunities for real gains whilst remaining within the current budgetary envelope. Third, Dr Dybul underlined the fact that all flexibilities would be focused on the Global Fund mission of controlling the three diseases, and working with countries and partners through dialogue and collective effort to drive maximum impact. Flexibilities, with respect to the period over which the total allocation can be utilized, will be carefully considered by the Secretariat on a case-by-case basis taking into consideration its impact across the entire portfolio.
124. Representatives of constituencies from both the donor and implementer blocs collaborated to refine the initial recommendation proposed by the Developed Country NGOs constituency on behalf of the implementer bloc. Accordingly, a further modified version of the decision point was presented to the Board by the Chair of the FOPC.
125. Upon review of the revised decision point, the Board approved the framework for transitioning from the Third to the Fourth Replenishment Period (Decision Point GF/B31/09). Communities abstained, noting that the constituency failed to understand the rationale surrounding countries with issues of absorptive capacity, and made a statement raising four issues. Firstly, that the constituency was deeply aware of the fact that funding is not sufficient for all in need, but that their role was to provide a voice for the communities living with and affected by the three diseases. Secondly, that countries will have to make tough choices between diseases, communities and how and where interventions are needed to scale up. Third, that in such contexts, it is the most-at-risk populations who become increasingly marginalized and vulnerable. Moreover, investment now will yield cost reductions in the long term. Less money spent through this replenishment period will result in greater need in the future. And fourth, stating that this decision would not achieve the shared mission, the constituency underlined their conviction that there should be an alternative.

### **Agenda Item 9: New Funding Model Strategic Issues: Country Bands**

126. The Chair of the SIIC introduced the sixth in the series of decision points relating to the new funding model. This point would determine the composition of and allocation of funds to the four Country Bands. Mr Summers framed his presentation with a reminder to the Board that the decision on the Country Band allocations would apply to this 2014 - 2016 period only, and that the Board could and would reconsider the

composition of the Bands and the allocation methodology before the next allocation period.

127. With that in mind, the Board received a presentation of the methodology for the division of countries into the four Bands, and the allocation of funding to each Band. First, the SIIC Chair noted that Band 4 was subject to a specific methodology, given that this Band contains lower disease burden, higher income countries with smaller, concentrated epidemics. The Board was informed that much of the fundamental methodology therefore applied to the division between Bands 1, 2 and 3.
128. Mr Summers explained the two factors on which this division had been based. First, disease burden, with a threshold set at 0.26 percent of total disease burden. Second, income, using GNI per capita data from the World Bank. In relation to the latter, the SIIC Chair explained the decision to work on a GNI per capita threshold of USD 2,000, rather than USD 1,200 GNI per capita used during the 2013-2014 transition period. Mr Summers clarified that the lower threshold had created challenges within Band 3, which would have caused operational difficulty, whereas raising the GNI per capita threshold had made possible a more coherent grouping of countries. The Board was reminded that the methodology being discussed was related only to the grouping of countries, and did not signal any change in how countries would be funded. Referring again to the disease burden threshold, the Committee agreed with not changing this threshold, as it would have had little effect on the subsequent country grouping.
129. Returning to the special methodology applied to Band 4 mentioned previously, Mr Summers recalled that for purposes of the transition phase launched under GF/B28/DP5 the funding share for Band 4 was set at seven percent, and the SIIC was now recommending the same seven percent rate as Band 4's share of the allocation of total indicative funding. The SIIC Chair reminded the Board that Band 4 countries are not eligible for incentive funding.<sup>24</sup>
130. Before presenting the decision point to the Board, the Chair of the SIIC displayed the proposed allocations for each of the four Country Bands, noting that the figures had been adjusted upwards following the most recent discussions with donors,<sup>25</sup> and clarifying that the amounts listed as Band 4's share in the decision point represented seven percent of the total indicative funding available for allocation.
131. The Board reviewed an overview of the Country Bands and distribution of recent, indicative and incentive funding, which visually highlighted the funding concentration on lower income, high burden countries, consistent with the focus of the Global Fund Strategy.
132. Following the presentation, the floor was opened for comments and questions of clarification. The Developing Country NGOs constituency first commended the decision to raise the GNI per capita threshold between higher and lower income countries to USD 2,000, commenting that this confirmed that World Bank income indicator criteria could indeed be modified for Global Fund purposes. It was noted,

<sup>24</sup> The Band 4 share of the Initial Allocation amount of USD 10.22 billion is removed before applying the 10-percent incentive funding rate to the remaining amount to calculate the incentive funding available for the 2014 – 2016 allocation period.

<sup>25</sup> The FOPC validated the revised amounts of the Initial Allocation (i.e., USD 10.22 billion) and the Existing Funds (i.e., USD 5.55 billion) and its updated recommendations to the Board, as set forth in GF/B31/DP08 and GF/B31/DP09, on a 21 February 2014.

however, that taking into account only economic criteria in determining a country's allocation risked ignoring the wider public health concerns, in particular, possible special concerns of most-at-risk populations.

133. South East Asia reiterated comments made earlier in the day related to the 32 countries worldwide which have embarked upon malaria elimination programs and successfully reduced their disease burden, but who, in doing so, may see funding reduced. The constituency requested consideration of a case-by-case provision to consider needs where they arise, so as to support complete elimination in the 32 countries in which these efforts have commenced. The Private Sector constituency echoed comments regarding countries in pre-elimination phase for malaria, particularly those in Band 4, underlining the fact that elimination should not be put at risk or delayed by application of the Band allocations. The constituency further urged the Board and the Secretariat to consider the needs of countries with small, localized tuberculosis and HIV epidemics.
134. Next, four constituencies noted their expectation that the allocation methodology would be revised accordingly before the next allocation period, with the same criteria for allocation to be applied to all four Bands. While Germany reiterated their support for reforms focused on a fairer allocation process, commending the progress made over the past two years, the constituency expressed dissatisfaction with the significant difference in funding allocation between Bands 2 and 4 despite similar disease burdens, and called on the SIIC to develop a clear graduation strategy. These comments were later supported by the UK and Australia constituency. The Point Seven constituency commented the same criteria of disease burden, ability to pay and the minimum required level of funding should be applied to countries across all four Bands.
135. The European Commission constituency further queried apparent preferential treatment for countries in Band 4 compared to Band 2 and expressed some dissatisfaction with the methodology applied to reach a funding rate of seven percent for Band 4 countries. Noting their support for the decision point, the constituency nonetheless proposed two additional requirements. First, the constituency requested that the seven percent funding rate to Band 4 be considered a maximum, with the necessary flexibility to fund Band 4 countries as close to the minimum required level as possible. Second, the European Commission requested that the same methodology be applied to all Bands for the next replenishment cycle, noting the need to remember under-allocated countries. Finally, the constituency requested regular progress reports from the Secretariat on the reduction of cases of under-allocation.
136. Private Foundations expressed their thanks and appreciation for the work of the Committee in preparing this important discussion. They then highlighted additional factors at work related to the Band 4 allocation, including factors related to a variety of inequities and human rights. These issues could drive concentrated epidemics among key affected populations thus needed our careful attention.
137. In a final comment from the Board, the Eastern Europe and Central Asia constituency encouraged the SIIC to further evaluate the principles and methodologies for Country Band allocation for middle income countries, noting the challenges beyond disease burden and ability to pay, and calling on the Global Fund to maintain focus on the causes behind the concentrated epidemics.

138. The Chair of the SIIC thanked the Board for their comments, and, in response to the question raised by the South East Asia constituency, clarified that the use of data from 2000 to derive the malaria disease burden indicator used in the allocation formula served to support continued funding to countries which had successfully reduced their disease burden and were making progress towards elimination. Underlining the limitations of available resources, Mr Summers emphasized that the Secretariat was entrusted by the Board to understand the special circumstances of each country. Constituency comments supported the SIIC Chair's comments, indicating that the Board's recognition of the need to ensure continued progress on elimination of malaria demonstrated awareness of the subtleties of the disease burden parameter.
139. The Board approved the composition of and allocation to Country Bands (Decision Point GF/B31/DP10).<sup>26</sup>

### **Agenda Item 10: Executive Session**

140. The Board met in Executive Session at the beginning of day two of the Board meeting. The proceedings of that session, and the record arising therefrom, were managed in line with Paragraph 19 of the Global Fund's Board and Committee Operating Procedures.

### **Agenda Item 11: Assurance Matters**

141. The Chair of the Board introduced the session by emphasizing the importance of assurance matters, before outlining the content to be discussed, which would include an update on the Sanctions Panel, an update on the process to approve the 2013 consolidated financial statements, highlights from the OIG's 2013 Annual Report following a comprehensive presentation at the Thirtieth Board Meeting, and a proposed decision point to approve a revision to the Policy for Disclosure of Reports issued by the OIG (the "Disclosure Policy").

#### Sanctions Panel

142. The Executive Director introduced the update on the Sanctions Panel by first noting that the two companies sanctioned in the first case reviewed by the panel in January 2014, Vestergaard Frandsen and Sumitomo Chemical Singapore, had been cooperative throughout the process. Outlining the timeline of events leading to the panel's recommendations, Dr Dybul explained that the two companies concerned had been subject to a temporary suspension on 14 November 2013, as a result of the findings of the OIG report discussed at the Thirtieth Board Meeting.<sup>27</sup> Dr Dybul informed the Board that the Sanctions Panel had met on 17 January 2014, and that he accepted their recommendations. The companies had been informed on 23 January, and the Secretariat had received the companies' acceptance of the sanctions on 25 January (Vestergaard Frandsen) and 2 February (Sumitomo Chemical Singapore) respectively.

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<sup>26</sup> Under the allocation methodology, Country Band 1's share of the total indicative funding of USD 14.82 billion is USD 11,270 million, which was the amount used to calculate country allocations within the Band. The total indicative funding amount was rounded to USD 14.8 billion in GF/B31/DP10. Due to the rounding choice, the allocation amount for Country Band 1 was transcribed as USD 11,250 million in GF/B31/DP10.

<sup>27</sup> Document GF-OIG-13-050, Investigation Report of Global Fund Grants to Cambodia, 14 November 2013

143. Reminding the Board of the Sanctions Panel's recommendations in this case, Dr Dybul confirmed that he had issued a formal reprimand and permitted conditional continued engagement subject to three conditions: (1) appointment of an independent compliance monitor at the expense of each supplier to assess each supplier's internal compliance system, with a report to the Global Fund, containing recommendations, due on 30 June 2014, and a progress report due on 31 December 2014; (2) donation of 1 million long-lasting insecticide nets ("LLINs") per supplier to a Global Fund-selected Principal Recipient, and (3) subscription to an anti-bribery pact developed by the Global Fund, and commitment to mobilizing industry support for the pact. In relation to the third point, Dr Dybul informed the Board that the Global Fund's LLIN suppliers have all been invited to a meeting, which will be organized and paid for by the two suppliers in question, providing evidence of progress against this condition.
144. Finally, Dr Dybul extended a formal apology to the Board for not having provided advanced notice of the statement released on 6 February 2014 detailing the recommendations of the Sanctions Panel, noting that his intention had been to provide 48 hours prior notice to the Board, and that this would be respected in future.

Consolidated Financial Statements Approval Process

145. The CFO spoke briefly to the Board to communicate the plan for Board approval of the 2013 Consolidated Financial Statements, clarifying that this would, for the last time, take place via electronic vote. Starting in 2015, the financial statements will be approved in session, with the Board Meeting scheduled in alignment with the financial cycle to allow this. Mr Camus informed the Board of the approval process, confirming that the statements would be presented to the Management Executive Committee on 24 March and to the AEC on 10 April, followed by an AEC recommendation to the Board for approval. The CFO confirmed that two conference calls would be organized to allow Board Members to ask questions of the Finance Division and external auditor, and with respect to the AEC deliberations, before issuing an electronic decision point, at the latest by 25 April.

Office of the Inspector General 2013 Annual Report

146. Mr Martin O'Malley, Inspector General, introduced discussions by emphasizing the OIG's move away from simply raising findings towards presenting solutions and achieving outcomes. With this goal in mind, he underlined the importance of allowing the Secretariat to report on action taken and progress made in response to OIG findings. Mr O'Malley itemized five key areas identified by the OIG for the Secretariat to address as described in the Annual Report,<sup>28</sup> namely: (a) combined assurance, (b) record-keeping, (c) the accountability framework, (d) recoveries, and (e) grant closures. In this context, the Inspector General invited comment from the Secretariat.
147. The Executive Director opened his comments by remarking on the improvements to the OIG function and its relationship with the Secretariat, highlighting that the OIG, while independent, works towards the common goals of the institution. Dr Dybul spoke about the danger of using risk management frameworks and registers because of their potential to provide a false sense of assurance. In addition to these frameworks, he underlined the importance of looking at the key corporate risks, describing them as follows. First, Dr Dybul emphasized the importance of confidence in the Global Fund, and its ability to raise money, a risk managed through the extensive work on the Replenishment. Second, the Executive Director stressed the importance of the Global Fund working as the partnership institution it is meant to be. Third, financial

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<sup>28</sup> GF/B31/11, Office of the Inspector General Annual Report 2013.

management systems, key to the sound foundation of a financing institution, and discussed in detail under agenda item 3, above. Fourth, Dr Dybul raised the issue of procurement, reminding the Board that in some countries up to two thirds of Global Fund resources are spent on commodities, before advising that over a period of two years, the proportion of procurements managed in a safe way had risen from 27 percent to 83 percent, above the industry standard of 80 percent. Furthermore, Dr Dybul emphasized the fact that increased efficiency in procurement had also resulted in savings of USD 130 million in 2013, with USD 70 million in savings expected per year moving forward. In addition, Dr Dybul acknowledged the role of the Sanctions Panel in protecting Global Fund investments in procurement, while at the same time recognizing that procurement did entail risks including issues of country ownership and market shaping, to which the Secretariat was also giving attention.

148. The Executive Director stated that measuring and reporting on impact represented a key risk given the direct effect on confidence in Global Fund activities. Dr Dybul updated the Board on the shift being made towards outcome indicators, allowing grants and impact to be measured in a fundamentally different way. In particular, Dr Dybul highlighted the major effort under way to ensure verification of data, and clarity of attribution, the latter being a KPI for 2014. Finally, the Executive Director confirmed his personal engagement in the development of effective combined assurance, that is, the framework of grant management, LFAs, external audits and the OIG, and how these elements work together in any given country to achieve effective assurance. Dr Dybul informed the Board that in liaison with the OIG, the Secretariat would be looking in detail into country operations to identify any gaps in assurance and how they should be filled.
149. Cees Klumper, Chief Risk Officer (the “CRO”), provided comments on three of the key areas itemized in the OIG’s Annual Report: combined assurance, the accountability framework, and recoveries. Defining combined assurance as “knowing, based on facts and observations, that all of the organization’s 19 key risks in grants are being efficiently and effectively managed”, Mr Klumper proceeded to describe the significant progress made in this area in the past two and a half years. The CRO recalled the following developments: a major shift of resources from other parts of the organization into hands-on, day-to-day grant management; the creation of the Risk Department; the implementation of the operational risk management framework in the highest impact and highest risk areas of the portfolio (as discussed by the Board at its Twenty-Ninth Meeting in 2013); the overhaul of the financial systems as led by the CFO; the creation of a Treasury Department to manage financial risk; the development of improved guidance for country teams; the implementation of more stringent requirements for the external audit of grant programs; better focused engagement of LFAs, and the selective appointment of fiduciary agents and procurement agents so as to strengthen safeguards against risks in the highest risk situations.
150. Having enumerated the many developments implemented or in progress in pursuit of effective combined assurance, the CRO noted that work remained, and informed the Board that combined assurance was a priority of the Management Executive Committee for 2014. Describing expected activities for the coming months, Mr Klumper notified the Board of the Secretariat’s plan to look at a representative sample of grants across a wide range of countries and regions, and to carry out a detailed, in-depth examination of five of the 19 key risk areas, namely, (a) fraud and corruption, (b) quality of health services and health products, (c) data quality, (d) theft, diversion and counterfeit of health products, and (e) human rights. The CRO confirmed that the process would include analysis of recent problems, recent OIG reports and negative

surprises, so as to establish why these problems had arisen, how they could have been prevented, and how they would be avoided in the future. Mr Klumper advised the Board that this work would be completed by a team of five Global Fund staff, and that the outcomes, including requirements to further strengthen assurance would be reported to the Board and its Committees after completion, due 30 June 2014. The CRO noted that if outsourced, such an assessment would cost in the region of USD 0.5 million. He emphasized the commitment to mitigate risks and ensure combined assurance at the lowest possible cost to the institution.

151. Regarding the accountability framework, Mr Klumper introduced his comments with the observation that the Global Fund is a matrix organization, made up of generalists and specialists, with generalist and specialist functions coming together within the country teams, steered by guidelines developed in 2013. Mr Klumper noted an immediate need to address the management levels so as to clarify accountabilities, roles and responsibilities, and decision-making authorities. He reassured the Board that this would be relatively straightforward given the two-dimensional nature of the structure in question. The CRO informed the Board that this activity would be complete in June 2014, and reported on at the next Board Meeting and through the Committees.
152. Referring to discussions at the pre-Board session and to the Losses and Recoveries Report,<sup>29</sup> the CRO briefly highlighted the fact that the Secretariat's Recoveries Committee had fulfilled its commitment to review all open cases by end-December 2013, had put in place an end-to-end process for recoveries, and was now focusing on recovering funds. He advised the Board that, based on experience, the Secretariat expected a near-100 percent recovery rate from governmental implementers, with reimbursement of funds expected between now and the end of 2015, taking into account budget cycles. Furthermore, Mr Klumper underlined the approach of the Recoveries Committee of focusing on cases as they emerge, naming the Cambodia case as an example of the success of swift recovery case management. Mr Klumper stressed the broader issue of holding those suspected of wrongdoing accountable, and the important role of the Sanctions Panel in achieving this goal. He also informed the Board that the allocation letters due to be sent to countries would include language notifying countries that lack of satisfactory progress in relation to any outstanding recoveries cases could influence the country allocation. Finally, Mr Klumper announced a move to quarterly reporting on recoveries.
153. Mark Edington, Head of the Grant Management Division, updated the Board on two key areas, grant closures and record keeping. In relation to the grant closures, Mr Edington noted that the Secretariat had sought OIG advice about both the outstanding closures and the procedures around grant closure that were creating this issue. Two hundred and forty eight grants had been identified as long-outstanding closures, and at the date of the OIG's Annual Report, 38 had been fully closed, and 112 financially closed, with the latter figure updated to 185 grants as at end-January 2014, demonstrating the progress being made on this issue and swift action taken by the Secretariat. Mr Edington informed the Board that difficult issues relating to recoveries presented a challenge to closing out some grants, and that the policy and procedures around grant closures contained certain difficult-to-fulfill steps. In an effort to resolve policy and procedural challenges, the Secretariat had adopted and rolled out a differentiated and simple approach for closing out some of the older and long-outstanding grants. Mr Edington indicated the intention to include firm timelines for

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<sup>29</sup> Document GF/B31/13.



closing out grants within this policy, to which country teams would be held accountable. He acknowledged the contribution of the new financial systems in allowing better tracking and reporting on grant closures.

154. Turning to the final issue raised by the OIG for Secretariat attention, that of record keeping, Mr Edington described the introduction of an online grant management platform based on Salesforce software, which will allow CCMs, PRs, LFAs and the Secretariat to collaborate on the request, review, approval and management of grant funds. Mr Edington advised the Board that various elements of this new platform would be rolled out over the next 18 months, covering the full grant lifecycle, and with the added benefit that all key documentation generated throughout the lifetime of a grant would be appropriately stored, easily retrievable, and available for both analysis and audit purposes.
155. Following the above interventions by the Secretariat, the Inspector General described the OIG's tracking processes and their route through the Management Executive Committee, Audit and Ethics Committee and to the Board, before making a statement that the OIG serves not only to identify issues, but to help to ensure achievement of outcomes.
156. Commending the evident internal coordination under way within the Global Fund, the Vice-Chair of the Board invited comments from the floor. Canada and Switzerland commended the work of the Secretariat and the OIG on risk management, congratulated the OIG for meeting international professional standards and for engaging a Director of Investigations, while appreciating the partnership-oriented way of doing business, as well as the efforts to clear the backlog of grant closures, recoveries and investigations cases. The constituency noted concern related to the financial and programmatic risks associated with the CCMs, and called upon the SIIC and the AEC to discuss this issue.
157. Communities extended their thanks to the Inspector General for the dedication and commitment to recovering resources and to the CRO for the comments on human rights. Communities then requested more information from the Inspector General regarding his concerns around human rights issues. Their message of appreciation was echoed by the Developed Country NGOs, who also underlined the inherently problematic nature of seeking repayments from nonprofit partners who do not have funding reserves.
158. UK and Australia also recognized the work of the OIG and its transformation. They indicated they were reassured on a number of issues following the verbal statements of the Secretariat, while at the same time requesting formal documentation on risk and assurance. They underlined that risk oversight should be the Board's highest priority. Expanding this request, the constituency emphasized the reputational risk of not receiving formal management responses to OIG reports, and called for regular, formalized reporting in the future. The Vice-Chair of the Board noted this comment would be addressed in the Thirty-Second Board Meeting.
159. Developing Country NGOs extended their appreciation to the OIG and the AEC, before proposing their support and confirming their commitment to the development of both the human rights agenda within the OIG, and the strategy for recoveries from nonprofit organizations. Having commended the Secretariat's work on risk management, Germany also made two suggestions, first proposing a formal information session at the next Board Meeting on the Secretariat's approach to the

risks related to CCMs and LFAs, and secondly, recommending that outstanding recoveries issues be considered by the GAC during the decision-making process on grant renewals.

160. The European Commission expressed appreciation for the progress in clearing the backlog of cases, improving staffing within the OIG, the focus on collaboration between the OIG and the Secretariat, and the use of a combined assurance model to achieve more efficient and effective use of assurance across the organization. The constituency thanked the Global Fund for the coordinated presentation provided within this session. A number of statements were made, including a strong endorsement of the OIG decision to bring forward the assurance statement to 2015, and support for the suggestion from Germany that outstanding recoveries be part of GAC discussions. Providing further observation in relation to the recoveries process, the European Commission indicated an expectation to see a structured process for recoveries anchored in the organizational chart.
161. Point Seven confirmed support for the 2014 priorities as presented, and commended in particular the efforts to prepare operational procedures to tackle potential human rights infringements. The constituency requested information from the OIG regarding the criteria for moving from an allegation to an investigation case.  
Policy for the Disclosure of Reports of the Office of the Inspector General
162. In the interests of time, the session moved swiftly to the decision point under consideration, and the Inspector General provided analysis of the proposed Disclosure Policy. Outlining the extensive consultative process and benchmarking exercise undertaken in the development of this policy, Mr O'Malley informed the Board that the policy was guided by overarching principles rather than operational processes, and was underpinned by the Communications Strategy.<sup>30</sup> Mr O'Malley emphasized that appropriate safeguards were in place to ensure execution of the policy to the highest standard, the most significant being adherence to professional standards, and the stakeholder engagement model. The Inspector General expressed his view that the OIG was unique in upholding the level of transparency provided for by the Disclosure Policy, which was underpinned by a robust Communications Strategy. Mr O'Malley confirmed the OIG's intention to share the Communications Strategy with stakeholders in order to hold others to account, and to be held accountable to its provisions.
163. Reporting on the consultations held during the development of the policy, and informing the Board that the majority of comments raised had related to the process for restrictions, the Inspector General provided the Board with a number of points of clarification with regard to the restrictions process as proposed. First, Mr O'Malley noted that the process had been invoked just once in the history of the OIG, and confirmed his expectation that this frequency would remain extremely low. Secondly, the Inspector General explained that it was not possible to predict with certainty the nature of any case necessitating a restriction. As such, the policy allowed for the appropriate flexibility to exercise and apply professional judgment, with the necessary safeguards through the requirement of discussion with the leadership of both the AEC and the Board. Finally, the Inspector General assured the Board that in the event of the restrictions process being invoked, the OIG would communicate information to the Board regarding the restriction to the maximum extent possible.

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<sup>30</sup> Document GF/B31/12 Annex 4.

164. Following presentation of the proposed policy by the Inspector General, Developing Country NGOs acknowledged the OIG's consultation process around this issue, and noted that clarity with regard to the circumstances informing restrictions would be of benefit to all constituencies and their operational activities.
165. With the Executive Director confirming the Secretariat's full support for the decision point, the Board approved the Policy for Disclosure of Reports of the Office of the Inspector General and associated revision to the OIG Charter (Decision Point GF/B31/DP11).

### **Agenda Item 12: New Funding Model Operational Matters**

166. The Chair of the SIIC presented the Board with a proposed policy governing the extension of grant terms to facilitate the full implementation of the new funding model. As described below, Mr Summers explained that the existing policy no longer corresponded to the principles of the new funding model, and defined the two objectives of the decision under consideration, as follows: (a) to align policy with the new funding model; and (b) to enhance and expand the delegation of authority to the Secretariat with respect to grant extensions.
167. Recalling that current practice allowed for ten different types of grant extension, each narrowly defined based on specific operational scenarios, the Chair of the SIIC highlighted the challenges in implementation and reporting, and explained the purpose and rationale of the policy now presented to the Board for decision. Mr Summers indicated that the streamlined policy would delegate authority from the Board to the Secretariat to extend grants for up to 12 months under specific circumstances, including to allow countries the time to develop strong concept notes in complex situations, and to compensate for delays arising for example from the operations of the OIG or the review processes of the Grant Approvals Committee and Technical Review Panel.
168. Mr Summers explained that extensions would be classified into two categories: no-cost extensions, where funds from an existing grant agreement are available to finance the extension period; and costed extensions, which require additional resources that would be deducted from the next allocation to that disease component. Further expanding the explanation of costed extensions, the SIIC Chair clarified that such extensions would be subject to very tight limitations. Additionally, they would only be possible once the Global Fund had communicated the country's allocation for the next allocation period.
169. Under this policy, Mr Summers noted, the Secretariat would have authority to provide no-cost extensions of up to 12 months. Costed extensions could be granted up to a period of six months' duration, with a ceiling value of USD 10 million. Any costed extension request exceeding either six months or USD 10 million would require prior Board approval.
170. In concluding his presentation, the SIIC Chair commented that following the decision of the Board to grant flexibilities to provide no-cost extensions, the SIIC had received a number of reports from the Secretariat on the granting of such extensions, and had been satisfied that extension decisions were being taken seriously, with appropriate rigor, and by bodies comprised of senior management, all the while with a focus on supporting countries in the delivery of services, whilst being flexible to country needs.

171. Developed Country NGOs communicated their support for the decision point, underlining that the Secretariat would need to exercise the policy with caution and consideration of special circumstances. They noted the focus of the policy on enabling the provision of appropriate conditions for programmatic continuation in order to achieve maximum impact.
172. Germany requested a point of clarification related to the source of funds for costed extensions, given that all available funds would have been allocated. The Developing Country NGOs requested an explanation as to how the USD 10 million threshold had been reached, and whether a percentage of the total grant had been considered as a threshold measure for costed extensions, within the maximum sum of USD 10 million.
173. The SIIC Chair and Head of Grant Management responded to the comments. Noting that this move to delegate authority to the Secretariat for grant extensions was a significant change for the Board, the SIIC Chair indicated that the USD 10 million figure was considered a relatively modest level, sufficient to cover most grant extension circumstances, while bringing requests for more substantial extensions to the Board for approval. Mark Edington reiterated that the funds for costed extensions would come from the country's subsequent allocation, within the cash flow management parameters of the amended and restated Comprehensive Funding Policy, and only once the allocation for the next period had been approved on the basis of an FOPC review and recommendation.
174. The Board proceeded to approve the extension approach under the new funding model (Decision Point GF/B31/12).
175. Following approval of the decision point, Todd Summers expressed his appreciation to the Board, and particularly to the Committee and the Secretariat staff who had worked so closely on the new funding model over the past 36 months, recognizing in particular Ruwan de Mel, Johannes Hunger, Joseph Chiu and Julia van Riel.

### **Agenda Item 13: Ethics Matters**

176. The Vice-Chair of the Board introduced the agenda item, recalling the Board Leadership's letter of 9 August 2013 which had underlined a commitment to a strong ethical foundation,<sup>31</sup> and highlighting the Chair and Vice-Chair's commitment to building a holistic ethics framework for the Global Fund. Ambassador Guigaz acknowledged the work of Ms Gülen Newton in serving as both Ethics Official and Legal Counsel, whilst reminding the Board that this dual role was a significant burden for one individual.
177. Mr Graham Joscelyne, Chair of the AEC, outlined the work completed so far with the support of Dr Alan Richter, an independent expert with extensive experience in ethics within the international organization environment. Mr Joscelyne emphasized the importance of ethics being embraced as a behavioral concern rather than a bureaucratic exercise. He proceeded to explain that the consultant, with the close support of the independent AEC member specializing in ethics issues, had developed a

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<sup>31</sup> Message to Board Members from Chair and Vice-Chair:  
<http://www.theglobalfund.org/en/mediacenter/announcements/2013-08-09> Message to Board Members from Chair and Vice Chair/.

scope of work and the objectives of a project to design a holistic ethics framework for the Global Fund. The recommendations contained in the consultant's report had been informed by a series of interviews with key individuals including Board and Committee Members, and a documentation review, and were based on publically available global benchmarks.<sup>32</sup>

178. Mr Joscelyne advised the Board that the project to develop a holistic ethics framework would be led by the Board Leadership, and reported that in the opinion of the external expert, this leadership was essential to ensuring that an ethics framework be discussed at the necessary altitude, and implemented accordingly.
179. Reporting briefly on the findings of the independent consultant, Mr Joscelyne referred the Board to the White Paper entitled "Developing a holistic Ethics Framework for the Global Fund", shared ahead of the meeting. The Chair of the AEC noted that the Global Fund already had some elements of an ethics framework in place, including codes of conduct, an increasingly effective OIG, and a sanctions process, among other examples. Concluding his summary of the consultant's positive findings, Mr Joscelyne indicated that the intention of the ethics framework would be to build on the existing ethical foundations already present within the organization's structure and operations.
180. Referring Board Members to the detail provided in the White Paper, Mr Joscelyne informed the Board of the general factors identified by the consultant as being the principal ethical challenges to the Global Fund, recalling the significant complexities within the Global Fund environment, resulting from the variety and number of stakeholders, and the nature of the environment in which the organization operates. Moreover, he cited the lack of broad and consistent ethical leadership, the lack of shared understanding of the importance of ethics to the organization's mission and reputation, and the fragmented nature of the policies and codes in place as key issues requiring attention.
181. Moving on from general factors identified by the consultant, the Chair of the AEC highlighted a number of the consultant's more specific observations. He proceeded to outline the three principal areas to be addressed through the design and implementation of an ethics framework, as follows: (a) governance issues, including a common Code of Conduct for all stakeholders, induction for Board members, and compliance with conflict of interest policy; (b) internal Secretariat issues, namely a focus on developing a unified organizational culture with increased levels of trust; and (c) external stakeholder issues, indicating the key ethical risks to the Global Fund requiring attention, including corruption, fraud, compromising human rights, conflicts of interest, and breaches of confidentiality.
182. The Chair of the AEC informed the Board of the underlying approach of the proposal, which framed the development of the ethics framework in terms of health. That is, an ethics framework based on the fundamental principles of health and equality, drawing on tenets such as "first, do no harm". This values-driven perspective would align a philosophical approach with the necessary legal and compliance requirements. Moreover, the analogy was extended to illustrate the importance of an ethics framework to maintaining the health and integrity of the Global Fund itself.
183. Having informed the Board of the underlying approach to the proposal, Mr Joscelyne communicated three concrete objectives, and their supporting work stream focus

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<sup>32</sup> Dubinsky & Richter: <http://qedconsulting.com/products/section2j.php>.

areas, as follows: (a) building an “Ethical Foundation” through articulated vision and goals, leadership, defined roles and responsibilities and comprehensive policies and procedures; (b) creating an “Ethical Culture”, through communication, training, reward and discipline; and, (c) focusing on “Ethical Risk Management”, through risk analysis and clear oversight responsibility and processes.

184. The Chair of the AEC underlined the importance of the Board’s leadership, the support of the Executive Director and Secretariat Management Executive Committee, the Ethics Official, and the oversight of the Committees and the Board in order to ensure the successful operation of the ethics framework. Mr Joscelyne further stressed the importance of the role of the four functional pillars within the Global Fund, (a) Human Resources, (b) Legal, (c) Risk Management and (d) the OIG, and the need for these four functions be brought into the ambit of the project. Furthermore, the Chair of the AEC underlined the fact that the initiative would require funding, an experienced consultant to guide the organization through the process, and an Ethics Office with the appropriate staffing capacity. Finally, Mr Joscelyne pointed to the ambitious actions and timelines proposed, and to the level of activity required in order to design and implement the ethics framework. In concluding his presentation, the Chair of the AEC requested the Board’s endorsement of the proposed approach to the development of an ethics framework.
185. Following the AEC Chair’s presentation, Ambassador Guigaz reiterated the need to move ahead at full speed on this initiative, indicating the intention that the proposed ad-hoc Working Group on Governance<sup>33</sup> would connect its discussion on governance topics with the work on the holistic ethics framework. Furthermore, she indicated that the Board Leadership and the AEC expected an extensive discussion around this issue to take place at the Board retreat planned for the last quarter of 2014.
186. Developed Country NGOs communicated their strong encouragement to the Board Leadership to involve constituencies so as to develop an ethics framework to serve the best interests of the organization. Adding a further perspective, Communities underlined the ethical responsibility of the Global Fund to create safe, secure spaces for most-at-risk populations.
187. In response to a query from Point Seven regarding when the framework itself would be presented to the Board, Ambassador Guigaz explained that the timeline and process would become clearer once work on developing the framework was under way. She indicated that this responsibility would be held by the ad hoc Working Group on Governance. The Vice-Chair further emphasized that the end product would need to be fit for the entire Global Fund, from the Board to the CCMs to implementers.
188. The Board endorsed the approach for developing a holistic ethics framework for the Global Fund presented in the White Paper.

#### **Agenda Item 14: Committee Matters**

189. Recalling the effective discussions and decisions of the previous day, and the role of the Committees in bringing the Global Fund to such an historic moment, the Chair of the Board introduced the agenda item on Committee Matters by reminding the Board of

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<sup>33</sup> GF/B31/18, The 2014 Work Plan on Governance

the important role of the Board's Committees. Dr Mboi called on Board Members' collegiality as they worked together to repopulate the AEC, FOPC and SIIC at this time.

Audit and Ethics Committee

190. Dr Mboi introduced the decision to renew four independent members of the Audit and Ethics Committee (i.e., Graham Joscelyne as Chair, Mohamed Abdellatif, Gabor Amon and Wendy Harrison as independent members), and to appoint Christopher Kassami as constituency-nominated member from Eastern and Southern Africa.
191. Ambassador Guigaz provided a detailed account of the membership changes within the Committee and some complexities specific to the AEC regarding mid-term membership changes. It was noted that four out of the five existing independent members had been keen to reapply for a second term, had submitted formal statements of interest, had performed well during their first term, and that their declarations of interest had undergone review by the Ethics Official as per the usual process. The Vice-Chair of the Board confirmed that the fifth position would be filled via a competitive process which was already under way. Renewal of existing independent members' terms was considered in the best interests of the Global Fund given the additional institutional learning required of independent members, who are generally not as familiar with the Global Fund as constituency representatives.
192. Comments from the Board related to the selection process for the independent Chair of the AEC, suggesting that the Chair should be selected by the independent members. Legal Counsel confirmed the process by which the Board had appointed the independent members and the AEC Chair in April 2012, based on input and recommendations from an external selection panel along with the Coordinating Group.
193. The Board approved the appointment of AEC members (Decision Point GF/B31/DP13).

Strategy Investment and Impact Committee and Finance and Operational Performance Committee

194. Dr Mboi emphasized the objective of the Board to assemble three equally strong Committees, to find a solution with which both donors and implementers would be comfortable, and with the underlying principle that this is "one Board". The Chair of the Board noted the difficult situation of having received significantly more nominations for the SIIC, and an insufficient number of nominations for the FOPC. As a result, it had not been possible to present two complete and strong Committee membership teams to the Board for consideration and appointment at this Thirty-First Meeting. As a result, this session needed to focus on determining the way forward together. Dr Mboi expressed confidence that all constituencies would be able to present strong candidates for the two Committees. She proceeded to present two possible solutions to the Board.
195. First, the Chair of the Board proposed remaining faithful to the original plan to appoint SIIC and FOPC members at the same time. This would entail launching a new call for nominations for both Committees by 12 March, with Board Leadership specifying that they would seek two nominations from each constituency, one for the SIIC and the other for the FOPC. This would be followed by outreach to the constituencies, with a closing date of 9 April for at least one qualified nomination for the FOPC and one nomination for the SIIC from the 20 voting constituencies, Partners, WHO and UNAIDS. Candidate assessment by Board Leadership would take place by 30 April.

Board Leadership would make a recommendation to the Board on 6 May, with members to take up their seats in mid-May 2014.

196. Second, the Chair of the Board indicated that Board Leadership had received a proposal by the donor bloc urging appointment of SIIC members at this Thirty-First Board Meeting, and encouraging a later, separate process to identify and appoint FOPC members. As a matter of principle, the Board Leadership noted that this approach would only be followed if deemed acceptable to both donors and implementers, and if each group were to designate the five members to be appointed to the SIIC. In this case, Board Leadership would agree to proceed with the appointment of a panel of nominees to the SIIC at the present meeting.
197. In order to allow donors and implementers time to consult among their members, Dr Mboi proposed a short break. Following this consultation time, the Board heard from the Chair of the donor and implementer bloc, respectively. Both donors and implementers urged Board Leadership to proceed with the appointment of members for the SIIC, and indicated their willingness to accept the recommendations of the Chair and Vice-Chair of the Board on the best candidates for the Board to appoint.
198. A number of constituencies individually echoed the views presented by the Chairs of the donor and implementer blocs, indicating agreement with the proposal to proceed with the appointment of SIIC members. The Eastern and Southern Africa constituency conveyed a message from their leader, incoming Vice-Chair of the SIIC, noting full support for this Committee to be constituted at this time in order to be ready to act as necessary to support the roll-out of the new funding model as swiftly as possible.
199. The Partners constituency suggested that the SIIC seat for non-voting members of the Board could be regularly rotated, or the non-voting seats increased to three, to ensure that the Committee receives adequate representation and input from partners working on all three diseases. Dr Mboi noted that the ad hoc Working Group on Governance would be examining this issue.
200. In a final comment, the UK and Australia constituency emphasized the importance of qualified, competent candidates for the FOPC, not least given the fact that the Global Fund is a financial institution, before noting their support for an examination of the Committee nomination process in the future.
201. Acting in accordance with the requests of both the donors and implementers, the Board Leadership proceeded to propose members for the SIIC at this meeting, and indicated they would issue a new call for nominations to the FOPC after the Thirty-First Board Meeting. An appropriate decision point was drafted and adopted. (Decision Point GF /BM31/DP14)

### **Agenda Item 15: Board Calendar for 2014-2015**

202. Following the proposal made at the Thirtieth Board Meeting for the Board to work according to a three-year calendar cycle, the Chair of the Board presented the Board with a proposed calendar for 2014-2016, coordinated with the replenishment cycle, and with Board meetings aligned to fiscal obligations, namely the annual approval of the consolidated financial statements in March or early April, and the operating expenses budget in December, annually. Beyond the financial obligations already



mentioned, Dr Mboi outlined the following key elements embodied within the Board calendar for the Board's strategic planning:

- a. strategy oversight, including the finalization of pending new funding model roll out issues and development of the 2017-2021 Strategy process;
  - b. governance oversight including the review of the OIG governance advisory review, the launch of the Board Chair and Vice-Chair nomination process, and Committee appointments;
  - c. financial oversight, including review of the 2015-2017 mid-term plan, approval of the Secretariat's operating expenses and audit of financial statements;
  - d. assessment of organizational performance including finalization of the 2014 and 2015 KPIs and targets and review of the Executive Director's report;
  - e. performance assessment for the Executive Director and Inspector General;
  - f. risk oversight, focusing on the finalization of the risk management framework; and
  - g. partnership and resource mobilization, including planning and launch of the 5<sup>th</sup> Replenishment Conference.
203. The Developed Country NGOs constituency opened the comments by expressing their appreciation of the long-term Board calendar aligned with the replenishment period, before raising three issues. First, the Board Member enquired as to the status of plans for the Partnership Forum, a question echoed subsequently by the Developing Country NGOs. Secondly, the constituency expressed a preference for staging the Board Retreat and the Board Meeting with some time between them, so as to allow the outcomes of the retreat to inform the decisions at the Board Meeting. Third, the Board Member noted that a Board Meeting during the first week of December would be of difficulty to many NGOs given their activities surrounding World AIDS Day.
204. In response to a question from the Private Sector constituency regarding the implications of Board Meetings being held on a cycle of eight months, then four months apart, the Chair of the Board underlined that the Board Meetings needed to be aligned to the fiscal cycle, and recalled discussions at the Thirtieth Board Meeting, at which the Board had decided against electronic voting on the annual consolidated financial statements.
205. Discussion ensued in relation to the timing of the 2014 Board Retreat, with a number of constituencies echoing the preference for separation from the Thirty-Second Board Meeting (Private Foundations, France, Point Seven), although the burden of additional logistical support, significant expense and working time spent in governance meetings was raised by the Partners constituency. The United States also noted their support for a separate retreat, while underlining the importance of ensuring time for adequate consultation on the governance issues and the development of thoughtful recommendations by the working group. Responding to these comments later in the session, the Executive Director and the Chair of the Board expressed preference for allowing the Secretariat, and indeed all countries and governance body members, time to proceed with the work resulting from the meeting's decisions.
206. The Private Foundations constituency noted that the launch of the 5<sup>th</sup> Replenishment in April 2016 appeared somewhat late and requesting further discussion on this issue. This comment was echoed by France, requesting greater flexibility around the timeline for preparing the next replenishment. The Executive Director responded with clarification and assurance that in fact, preparations for the 5<sup>th</sup> Replenishment were

already under way, and that the scheduled date referred simply to the Replenishment Conference, moved forward from December to April 2016.

207. The UK and Australia constituency raised a query about the approval of the 2015 KPIs, due to be completed in June 2014, and expressing concern that their approval should then wait until the December Board Meeting. In response, the Executive Director reassured the constituency that this decision could indeed be made via electronic vote, and that the timing of the Board Meeting would have no effect on Secretariat delivery of this item.
208. Point Seven commented on the need to schedule more strategic discussions at Board level, suggesting that the Board calendar include discussion on strategic matters such as partnerships and market dynamics. Point Seven further suggested that at least half a day of the Board Meeting agenda be dedicated to strategic discussion, at a higher level than the decision-making process. Furthermore, the constituency recommended that the agenda always include a report from each of the three Committees of the Board.
209. The Developed Country NGOs constituency commented on the work of the ad hoc working group on governance and noted the importance of the group commencing work soon so as to bring important issues to the Thirty-Second Board Meeting. In response, the Vice-Chair of the Board provided clarity on the nature of the OIG Advisory Review on governance, advising the Board that the review was expected not to give recommendations, rather to provide a series of options, and to comment on the work that would be required of the Board and its Committees in connection with the various options. According to the Vice-Chair, coordinating the launch of the working group on governance with the conclusions of the OIG Advisory Review would avoid some duplication of work.
210. Commending the Board Leadership for compiling a three-year calendar, the United States constituency commented on the potential for Committees to integrate their own work plans into this planning process, with the combined result serving to increase constituency knowledge and understanding related to work streams, priorities and the upcoming flow of decisions.
211. Responding to earlier queries from the Developed and Developing NGO constituencies regarding the Partnership Forum, the Executive Director conceded that the Global Fund's focus had been on other issues, including the new funding model, and reassured the Board that it was now his responsibility to reflect and revert on the best structure for a Partnership Forum to contribute to the effective implementation of the new funding model.
212. There was an expressed interest for increased attention on Board agendas for discussion of the performance of program implementation in countries.
213. As the session came to a close, Dr Mboi underlined the importance of the Board Retreat, at which governance issues and the ethical framework for the organization would be discussed, among other issues, thus providing reassurance to Germany in response to their request to ensure the retreat agenda not be focused solely on governance.
214. The Board Chair closed the session by noting that the preliminary three-year agenda would be refined with Board input, and that the fundamental concern for now was that

the Board agree to focus on fiscal responsibilities and implementation of the new funding model for the year to come.

### **Agenda Item 16: Meeting Conclusion and Acknowledgments**

215. In the final session of the Thirty-First Board Meeting, Dr Mboi repeated her sincere thanks and congratulations for the accomplishments of what had been a historic Board Meeting for the Global Fund. Dr Mboi assured the Board that the report of the meeting would be shared within six weeks, perhaps one month, and that the hard work would continue as the organization worked to move forward following the decisions taken.
216. The Executive Director expressed his appreciation to the Chair of the Board and to the people of Indonesia for the hospitable welcome extended to the Global Fund, and thanked the Board and the Chairs and Vice-Chairs of the Committees for their work in reaching the decisions of this meeting. Reflecting on past experience, Dr Dybul declared this to have been the most remarkable Board Meeting he had attended, and commended colleagues for the collegiality and professionalism demonstrated.
217. Dr Dybul proceeded to thank the Committee Chairs and Vice-Chairs, and in particular, Todd Summers and Brian Brink, who had attended 30 and 29 Board Meetings respectively. Taking a moment to acknowledge departing staff of the Secretariat, the Executive Director spoke of the tireless service and dedication of Ruwan de Mel, Daniel Low-Beer, Sarah Churchill and Karmen Bennett, and wished them well as they move to their next endeavors whilst remaining part of the Global Fund family.
218. Ruwan de Mel spoke of his 10 years' experience at the Global Fund, the impressive progress made by the organization in that time, and the privilege he felt at having been part of this important work. Mr de Mel commended the work, vision and leadership of the Executive Director, Todd Summers and Shawn Baker, Chair of the TRP, before thanking colleagues at the Secretariat.
219. Daniel Low-Beer extended his thanks to all present and to colleagues at the Secretariat, highlighting the remarkable nature of the partnership that underpins the Global Fund's work. Dr Low-Beer recalled highlights of his work at the organization, from the introduction of performance based funding, to observing, measuring and focusing on impact.
220. The Vice-Chair of the Board extended the next thank you, to Dr Brian Brink, Vice-Chair of the AEC and former Board Member for the Private Sector constituency. Ambassador Guigaz spoke of Dr Brink as being part of the heritage of the Global Fund.
221. The Chair of the Board, Dr Mboi, gave her thanks to Todd Summers and Shaun Mellors, Chair and Vice-Chair of the SIIC. The Chair commented that without Mr Summers' wisdom, leadership and guidance, the Global Fund might not have had an effective 2012-2016 Strategy, or a new funding model. Recalling Mr Mellors' involvement with the Global Fund since 2005, Dr Mboi commended his work and ability to balance the challenges of being a passionate advocate and a neutral Committee leader.
222. The Vice-Chair of the Board then commended the FOPC leadership for their commitment, and for supporting the FOPC's growth as a Committee so as to reach the

decisions of this meeting. Dr Mboi thanked Dr Viorel Soltan for serving as Chair, and for guiding the Committee in its decision-making, and Ambassador Guigaz wished Mr Monahan well as he returns to academia.

223. As the meeting came to a close, the Chair of the Board, Dr Nafsiah Mboi, echoed the words of the Executive Director, thanking the Secretariat, the Executive Director, all Global Fund staff, and the event organizers, interpreters and hotel management, before extending her best wishes to all delegates.

## **Annex 1: Decisions Taken at the Thirty-First Board Meeting**

### **Decision Point GF/B31/DP01: Appointment of Rapporteur**

Minister Benedict Xaba from the Eastern and Southern Africa constituency is designated as Rapporteur for the Thirty-First Board Meeting.

### **Decision Point GF/B31/DP02: Approval of Agenda**

The agenda for the Thirty-First Board Meeting (GF/B31/01) is approved.

### **Decision Point GF/B31/DP03: Approval of Report of the Thirtieth Board Meeting**

The report of the Thirtieth Board Meeting (GF/B31/02) is approved.

### **Decision Point GF/B31/DP04: 2014 Operating Expenses Budget**

Based on the recommendation of the Finance and Operational Performance Committee (the “FOPC”), the Board approves the 2014 operating expenses budget in the amount of USD 298.8 million, as set forth in GF/B31/03 Part A (the “2014 Operating Expenses Budget”), which includes USD 20.5 million for the Office of the Inspector General’s 2014 operating expenses.

2. As previously decided by the Board (GF/B22/DP18), the Secretariat will manage the 2014 Operating Expenses Budget’s exposure to foreign-exchange rate volatility and include in its periodic reporting to the FOPC on budget matters any measures taken to minimize such exposure.

This decision’s impact on the 2014 operating expenses budget is USD 298.8 million.

### **Decision Point GF/B31/DP05: Amended and Restated Comprehensive Funding Policy**

1. Based on the recommendation of the Finance and Operational Performance Committee, the Board approves the amended and restated Comprehensive Funding Policy, as set forth in GF/B31/04 – Annex 1 (the “Amended and Restated CFP”).

2. The Amended and Restated CFP supersedes all prior versions of the Comprehensive Funding Policy, and any related decisions previously adopted by the Board or its Committees that are inconsistent with the Amended and Restated CFP.

### **Decision Point GF/B31/DP06: Special Initiatives**

1. The Board notes that a portion of sources of funds may be excluded from the allocation to Country Bands for future utilization towards initiatives that are not adequately

accommodated through the allocation of resources to Country Bands (Annex 1 to GF/B27/DP7) (the “Special Initiatives”).

2. Based on the recommendation of the Strategy, Investment and Impact Committee (the “SIIC”), the Board decides that up to USD 100 million will be available over the 2014 – 2016 allocation period for the following Special Initiatives, as described in GF/B31/08A – Revision 1, in the amounts listed below:

- a. USD 30 million for the Humanitarian Emergency Fund;
- b. USD 17 million for Country Data Systems;
- c. USD 29 million for Technical Assistance for Strong Concept Notes and PR Grant-making Capacity Building;
- d. USD 15 million for Technical Assistance on Community, Rights and Gender; and
- e. USD 9 million for Enhancing Value for Money and Financial Sustainability of Global Fund Supported Programs.

3. The funds available for Special Initiatives may be reallocated by the Secretariat among the Special Initiatives set forth under paragraph 2 above, upon the SIIC’s approval, in consultation with the Finance and Operational Performance Committee (the “FOPC”), of an updated budget and plan to implement such initiatives.

4. The Secretariat shall recover investments towards Special Initiatives from funding provided through grant programs whenever possible.

5. With respect to the use of funds available for the Special Initiatives, the Board requests the Secretariat to report to the FOPC on the financial implications and to the SIIC on the operational and strategic implications.

### **Decision Point GF/B31/DP07: Regional Programs**

1. The Board notes that a portion of sources of funds may be excluded from the allocation to Country Bands for future utilization towards investments that are not adequately accommodated through the allocation of resources to Country Bands (Annex 1 to GF/B27/DP7).

2. Based on the recommendation of the Strategy, Investment and Impact Committee, as set forth in GF/B31/08B, the Board:

- a. Decides that USD 200 million will be available for new Regional Programs over the 2014 – 2016 allocation period;
- b. Recognizes that Regional Programs will be presented to the Board for funding approval throughout the 2014 – 2016 allocation period; and
- c. Acknowledges funding applications that are submitted by a group of small island economies or other small countries that typically would not apply as individual countries due to inherent administrative inefficiencies (the “Multi-Country Applications”) will be funded from amounts allocated to the individual disease components participating in each Multi-Country Application.

**Decision Point GF/B31/DP08: 2014-2016 Initial Allocation**

1. The Board acknowledges:

a. The Finance and Operational Performance Committee's recommendation on the amount of announced replenishment results for the 2014 – 2016 Replenishment Period, net of certain adjustments and qualifying deductions, that will be allocated to Country Bands at the start of the Allocation Period (the "Initial Allocation"), as set forth in GF/B31/06, in accordance with the Comprehensive Funding Policy, as amended and restated under decision point GF/B31/DP05; and

b. The Board's approval of the Strategy, Investment and Impact Committee's recommendation to apportion USD 100 million to finance Special Initiatives and USD 200 million to finance Regional Programs over the 2014 – 2016 period (GF/B31/DP06 and GF/B31/DP07 respectively).

2. Accordingly, the Board decides the Initial Allocation for the 2014 – 2016 Replenishment Period is USD 10.22 billion.

**Decision Point GF/B31/DP09: Transition from the Third to the Fourth Replenishment Period**

1. The Board notes its prior decision to approve the Amended and Restated Comprehensive Funding Policy (GF/B31/DP05) (the "CFP") as a standard financial management framework, and acknowledges unique measures are required to facilitate the 2014 allocation of resources to Country Bands, the first under the allocation-based funding model, to manage the transition from the rounds-based system.

2. Accordingly, based on the joint recommendation of the Finance and Operational Performance Committee (the "FOPC") and the Strategy, Investment and Impact Committee (the "SIIC"), the Board adopts the following transition framework:

a. The total amount that will be allocated to Country Bands (the "Total Allocation") using the allocation methodology will be comprised of the following amounts:

i. The Initial Allocation, in the amount of USD 10.22 billion, as approved under decision point GF/B31/DP08, which will determine the amount of incentive funding; and

ii. The amount of Sources of Funds, as defined in the CFP, originating from the Third Replenishment Period (2011 – 2013), or earlier, which have not been disbursed as at 31 December 2013 (the "Existing Funds"), in the amount of USD 5.55 billion, as recommended by the FOPC.

b. While each grant applicant's portion of the Total Allocation must be requested by the applicant and approved by the Board prior to 31 December 2016, it may be utilized beyond such date in accordance with the terms of the relevant grant agreement;

c. The Total Allocation will address the remaining pipeline of grant funding due to Board-approved proposals or other Board decisions originating from the Third Replenishment Period, or earlier, as at 31 December 2013, (the “Existing Grants Pipeline”) while taking a comprehensive approach such that performance and strategic impact are reflected in the investment of the entirety of funds;

d. While each disease component’s portion of the Total Allocation will typically cover a period of four years starting from 1 January 2014, the Secretariat, working together with countries and/or regions, has the operational flexibility to structure longer or shorter grant implementation periods while applying the principles of the allocation model (GF/B28/DP4) to guide funding levels towards the amounts derived from the allocation formula;

e. Accordingly, a 25-percent target minimum reduction compared to the most recent available four-year disbursement levels (the “Graduated Reduction”) will be applied across the portfolio of disease components that have funding levels above their notional shares under the allocation methodology; and

f. If a disease component’s Existing Grants Pipeline exceeds the amount that would result from applying the Graduated Reduction described in paragraph 2.e. above, then instead of applying the Graduated Reduction, the disease component’s Existing Grants Pipeline will serve as a basis to determine its total allocation starting from 1 January 2014.

3. The Board notes the transition framework established under this decision represents measures tailored to address the unique circumstances and challenges of transitioning from the rounds-based system to the allocation-based funding model and shall not apply to subsequent allocations and Replenishment Periods.

### **Decision Point GF/B31/DP10: Composition of and allocation to Country Bands**

1. Based on the recommendations of the Strategy, Investment and Impact Committee (the “SIIC”), the Board approves the composition of Country Bands for the 2014 – 2016 allocation period, as defined and set forth in Annex 1 to GF/B31/09 – Revision 1.

2. In accordance with its decision to approve the transition framework recommended by the Finance and Operational Performance Committee and the SIIC (GF/B31/DP09), the Board acknowledges USD 15.8 billion is available for allocation to Country Bands for the 2014 – 2016 allocation period, consisting of the following:

- a. USD 14.8 billion for indicative funding; and
- b. USD 950 million for incentive funding.

3. The Board approves the following allocation of indicative funding for the 2014 – 2016 allocation period:

- a. Country Band 1: USD 11,250 million;<sup>34</sup>

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<sup>34</sup> Under the allocation methodology, Country Band 1’s share of the total indicative funding of USD 14.82 billion is USD 11,270 million, which was the amount used to calculate country allocations within the Band. The total indicative funding amount was rounded to USD 14.8 billion in GF/B31/DP10. Due to the rounding choice, the allocation amount for Country Band 1 was transcribed as USD 11,250 million in GF/B31/DP10.



- b. Country Band 2: USD 915 million;
- c. Country Band 3: USD 1,530 million; and
- d. Country Band 4: USD 1,105 million.

4. The Board also decides incentive funding, in the amount of USD 950 million, will be apportioned across and within Country Bands 1, 2 and 3 in accordance with the methodology approved by the SIIC under authority delegated by the Board (GF/SIIC09/DP2).

**Decision Point GF/B31/DP11: Revision to the OIG Disclosure Policy and OIG Charter**

1. Based on the recommendation of the Audit and Ethics Committee, the Board approves the Policy for Disclosure of Reports Issued by the Inspector General, as revised and set forth in Annex 1 to GF/B31/12, which supersedes and replaces the disclosure policy adopted by the Board under GF/B20/DP23.

2. Accordingly, the Board approves the following revision to Section 15 of the Charter of the Office of the Inspector General<sup>1</sup> (the “OIG Charter”) to align the OIG Charter with the revised Policy for Disclosure of Reports Issued by the Inspector General:

“15. Reporting: Final reports of Office of the Inspector General regarding its ~~external~~ assurance and investigations work will be posted on the Global Fund’s public internet site in accordance with the Board-approved ‘Policy for Disclosure of Reports Issued by the Inspector General’. ~~Internal assurance findings will be promptly reported to the Executive Director and the AEC for internal action.~~”

**Decision Point GF/B31/DP12: Extension Policy under the New Funding Model**

1. The Board decides:

a. The Secretariat is authorized to extend a grant’s implementation period by a maximum of 12 months beyond the end date set forth in the relevant grant agreement:

- i. When the extension does not require funding in addition to the amounts approved by the Board for such implementation period; or
- ii. When any portion of the extension requires funding in addition to the amounts approved by the Board for such implementation period, provided the period of additional funding does not exceed six months and the amount of additional funding does not exceed USD 10 million.

b. Any other circumstances warranting an extension will be recommended by the Secretariat to the Board for approval.

c. The Secretariat will develop a framework for exercising the authority delegated under this decision, and report to the Board the extensions approved by the Secretariat under such authority through the monthly Grant Approvals Committee Report on funding recommendations.

d. The Secretariat will review the implementation of this decision and present any recommended modifications to the Strategy, Investment and Impact Committee for approval.

2. The Board also decides that as of the date of this decision, the extension framework adopted under this decision supersedes all prior policies and decisions concerning extensions whether in whole or with respect to relevant parts, including the following Board Decision Points:

a. B24/EDP/5: Procedure for Rolling Continuation Channel Mid-Term Performance Reviews and Extensions;

b. GF/B20/DP31: Architecture Review – Transition Provisions;

c. GF/B16/DP7, GF/B14/DP27 and GF/B13/DP2: Phase 2 Decision-Making Policies and Procedures; and

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

**Decision Point GF/B31/DP13: Appointment of Audit and Ethics Committee Members**

1. The Board acknowledges the recommendations set forth in GF/B31/10 outlining the membership appointment recommendations for the Board's Audit and Ethics Committee (the "AEC").

2. Accordingly, the Board approves the appointment of the following individuals to the AEC for a term that will expire on 9 March 2016, or until the appointment of their respective successors:

a. Graham Joscelyne as independent Chair of the AEC;

b. Mohammed Abdellatif as independent member of the AEC;

c. Gabor Amon as independent member of the AEC;

d. Wendy Harrison as independent member of the AEC; and

e. Christopher Kassami as a constituency-nominated member from the Eastern and Southern Africa Constituency.

**Decision Point GF/B31/DP14: Appointment of Strategy, Investment and Impact Committee Members and Launch of New Call for Nominations of Members of the Finance and Operational Performance Committee**

1. The Board acknowledges the nominations for membership of the Board's Strategy, Investment and Impact Committee (the "SIIC"), as set forth in GF/B31/10".

2. Accordingly, the Board approves the appointment of the following individuals to serve as voting members of the SIIC, representing the Board constituencies listed by their name, for a term that will expire on 9 March 2016, or until the appointment of their respective successors:

a. Aida Kurtovic, Eastern Europe and Central Asia;

b. Vinand Nantulya, Eastern and Southern Africa;

c. Abdalla Osman, Eastern Mediterranean Region;

d. Mirta Roses, Latin America and the Caribbean;

- e. Asia Russell, Developed Country NGO;
- f. Helga Fogstad, Point 7;
- g. Jason Lane, UK-Australia;
- h. Julia Martin, USA;
- i. Philippe Meunier, France; and
- j. Jan Paehler, European Commission.

3. Noting that the Chair of the Technical Review Panel and the Technical Evaluation Reference Group serve as non-voting members of the SIIC, the Board appoints the following individuals to serve as additional non-voting members of the SIIC, representing the Board constituencies listed by their name, for a term that will expire on 9 March 2016, or until the appointment of their respective successors:

- a. Lucica Ditiu, Partners; and
- b. Mbulawa Mugabe, UNAIDS.

4. The Board decides to launch a new call for nominations for the Finance and Operational Performance Committee (the “FOPC”) with a due date for nominations by 26 March 2014. The Chair and Vice-Chair of the Board will present its recommendation of candidates to the Board for approval by 15 April 2014.

5. The Board notes that qualified candidates that have already been nominated, but not appointed, for a Committee role will remain in consideration for FOPC membership.

6. The Board urges constituencies to nominate additional candidates that clearly demonstrate the competencies and skills that are required to perform the responsibilities of FOPC members.

**Annex 2: Action Sheet of matters arising for follow up from the Thirtieth Board Meeting  
(as shared with the Board at the Thirty-First Meeting)**

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
<b>A. Board Decisions - Pending or ongoing</b>						
A1	Decision Points GF/B27/7 & GF/B28/DP5 Evolving the Funding Model	SIIC and Secretariat	<p>The Board requests regular evaluation of the new funding model.</p> <hr/> <p>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. In particular, 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.</p>	Routine reporting to the Board.	Oversight delegated to SIIC, working in conjunction with the Global Fund's Technical Evaluation Reference Group.	Ongoing reporting to be undertaken. A near term date for strategic reflections arises from the mid-term review.

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
A2	Decision Point GF/B30/DP5 Eligibility Criteria	SIIC and Secretariat	Initiate a process that will provide options and recommendations to the Board to refine the Global Fund's approach to transitioning countries. The approach shall include consideration of appropriate public health indicators to measure progress in sustaining and enhancing gains against the three diseases.	By end December 2014	SIIC reporting to the Board.	To be presented to the Board at its first meeting in 2015.
A3	Decision Point GF/B30/DP6 Budget preparation	Secretariat	Present the full 2014 Operating Expenses budget for Board approval.	End February 2014	FOPC reporting to the Board.	For attention at this 31st Board Meeting. Tied to Action Point GF/B30/AP1 listed under heading B below.
A4	Decision Point GF/B30/DP7 Organizational Performance  (Part 1)	Secretariat	<ol style="list-style-type: none"> <li>1. Report annual corporate level Key Performance Indicator (KPI) results to the Board Committees and the Board.</li> <li>2. Complement indicator results with sex and age disaggregated data where feasible.</li> <li>3. Regularly review performance targets to drive effectiveness and efficiency and submit any proposed changes to the Board for approval.</li> <li>4. Include the budgetary implications of the decision in the 2014 Operational Expenses budget.</li> </ol>	Data collected by end December each year, and reporting in Q1 of the following year	The Board's three standing Committees: - AEC - FOPC - SIIC	<p>A continuing annual action required to assess impact of the 2012 - 2016 Strategy.</p> <p>2014 OPEX includes relevant resources.</p> <p>Will require discussion within the Coordinating Group by end Q3 2014 as to which Committee will have primary oversight for which specific indicators. Information on the assignment of responsibilities for annual KPI oversight between the committees to be shared at the final Board meeting in 2014.</p>

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
A5	Decision Point GF/B30/DP7 Organizational Performance (Part 2)	Secretariat, working in conjunction with the Office of the Inspector General for KPI 12 (Human rights protection)	Submit indicator revisions to the Board for approval, with a complete KPI framework, including baselines for each measure, finalized by: (a) end June 2014 (except KPIs 1, 2, 3 and 12)*; and (b) at date to be determined for KPIs 1, 2, 3 and 12*. * Information is set out in 'Annex 2' to the underlying Board Paper that was included after conclusion of the Board Meeting. (GF/B30/7, Revision 1)	a. End June 2014 b. December 2014 Board meeting (Date confirmed by FISA Division)	a. Secretariat proposal after full consultation with AEC, FOPC and SIIC (based on allocation of oversight responsibility between the three Committees) b. SIIC recommendation to the Board	Underlying work has commenced. Will require discussion within the Coordinating Group immediately following 31st Board to determine which Committee will have primary oversight for which specific indicators. Information on the allocation to be shared thereafter with the Board.
<b>B. Other Action Points - Pending or ongoing</b>						
B1	Action Point GF/B30/AP1: Annual work plan Report - para 97	Secretariat	Present the full 2014 Operating Expenses budget with a work plan (Tied to the action for DP6 referred to under heading A above).	By 31st Board Meeting	FOPC reporting to the Board	Presented for information at this 31st Board Meeting Paper: GF/B31/3B
B2	Action Point GF/B30/AP2: Organizational Performance Report - para 113	Board Chair and Vice-Chair	Present for Board Member and Alternate Member review the 2013 annual performance assessment of the Executive Director	By 31st Board Meeting	Board Leadership reporting to Board	Subject matter for 31st Board Meeting Executive Session

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
B3	Action Point GF/B30/AP3: Committee matters Report - para 129	Board Chair and Vice-Chair, in consultation with the Coordinating Group	Present for Board approval the Board Chair and Vice-Chair's recommendations on the membership of the FOPC and SIIC, and the appointment of external independent members of the AEC	By 31st Board Meeting	Board Leadership reporting to Board	Presented for decision at this 31st Board Paper: GF/B31/10
B4	Action Point GF/B30/AP4: Strategic Board Calendar Report - para 145	Board Chair and Vice-Chair in consultation with the Executive Director and Coordinating Group	Facilitate a discussion with the Board on a strategic multi-year Board calendar that ensures that the Board is focused on the most strategic of items.	During 2014	Board Leadership proposal to the Board	<p>The Board Leadership will present to the 31st Board Meeting a proposal for a Governance Working Group for 2014 to be approved by the Board.</p> <p>Work will commence after delivery of the OIG's Governance Review Report and AEC recommendations on how to take forward the issue of developing a holistic ethics framework.</p> <p>Discussion planned during 31st Board Meeting during Board calendar session</p>
B5	Action Point GF/B30/AP5: 2013 Audited Financial Statements Report - para 147	Secretariat	Presentation for Board electronic vote, the 2013 Audited Financial Statements and Annual Report	By end April 2014	AEC	Preparatory work is ongoing

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
B7	Action Point GF/B29/AP1: Recoveries	Secretariat	Provide the Board with a detailed update on recoveries at each Board Meeting	Pursuant to GF/B23/DP28	AEC and Board	Standing report to be presented at each meeting. Now a systematic report and will be removed from the action sheet moving forward.
<b>B. (continued) Other Action Points - Pending or ongoing</b>						
B8	Action Point GF/B29/AP2: Honoraria Arrangements	Board	FOPC to work in consultation with the AEC, and others, to design a process for consultation and inputs, and to bring the topic of honoraria arrangements back for Board discussion and ultimately Board approval.	In the course of 2014	FOPC recommendation to the Board	Pending - Is anticipated to be addressed as part of 2014 FOPC work plan, but subject to the OIG governance review report and any decision of the Board on how the Board would like to take this forward.
B9	Action Point GF/B29/AP3: Current AEC constituency nominated vacancies	Board Chair and Vice-Chair in consultation with the Coordinating Group	Call for nomination to fill AEC vacancies to be issued to all voting constituencies of the Board	Before 30th Board	Board	Completed. Vacancy filled by the Board Chair and Vice-Chair pursuant to paragraph 15.2 of the Global Fund's Board and Committee Operating Procedures. Notified to Board via Electronic Report GF/B30/ER4, and Decision Point: GF/B30/EDP6.