

Thirty-Second Board Meeting

Report of the Thirty-Second Board Meeting

The Global Fund Thirty-Second Board Meeting**GF/B32/29 – Revision 1****Board Decision****REPORT OF THE THIRTY-SECOND BOARD MEETING****Purpose:**

This document presents the Report of the Thirty-Second Global Fund Board Meeting, held in Montreux, Switzerland, from 20-21 November 2014.

Agenda items. The Meeting comprised 20 agenda items. 10 agenda items included Decision Points (three agenda items presented two Decision Points respectively). 10 agenda items were for information. One executive session was held.

Decisions. The Report includes a full record of the meeting including the 13 Decision Points adopted by the Board (Annex 1). Of the 13 decisions presented, five (5) were amended (GF/B32/DPO4, GF/B32/DPO5, GF/B32/DPO7, GF/B32/DPO8 and GF/B32/DPO9) prior to Board approval.

Documents. A document list is attached to this Report (Annex 2). Documentation from the Thirty-Second Board Meeting is available at:
www.theglobalfund.org/en/board/meetings/thirtysecond/.

Presentations. Presentation materials are available to Board Members on the BoardEffect platform.

Participants. The participant list for the Thirty-Second Board Meeting can be consulted at:
www.theglobalfund.org/en/board/meetings/thirtysecond/.

Next Board Meeting. The Thirty-Third Global Fund Board Meeting will be held on 31 March-1 April 2015 in Geneva, Switzerland.

Glossary: a glossary of acronyms can be found in Annex 4.

The Report of the Thirty-Second Board Meeting was approved by the Board of the Global Fund via electronic vote on 9 February 2015 (GF/B32/EDPO7).

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Agenda Item 1: Opening

1. The Chair of the Board, Dr Nafsiah Mboi, welcomed participants to the meeting and to Montreux, thanking all who were involved in bringing the Board together for the Board Retreat¹ and Thirty-Second Board Meeting. On behalf of the Board Leadership, Dr Mboi extended a warm welcome to Dr Carole Presern, incoming Head of the Office of Board Affairs, and the Chairs of the Working Group on Governance, the Ethics Steering Committee, and the Development Continuum Working Group. Furthermore, she welcomed new Board Members and Alternates, colleagues serving with delegated authority at the meeting, and invited guests from Qatar and Russia.
2. Ton Coenen, Board Member for the Developed Country NGOs constituency, reflected on the Ebola crisis and its impact on the public health landscape, and paid tribute to the friends and colleagues of the AIDS community who lost their lives in the 17 July 2014 Malaysian Airline tragedy. The traditional candle of remembrance was lit by Sandra Roelofs, Board Member for Eastern Europe and Central Asia, who called on the Global Fund partnership to find a way to reach out to those whose access to treatment and care has been disrupted by conflict and repression.
3. Dr Mboi reflected on the progress made since the Thirty-First Board Meeting in implementing the new funding model, strengthening the partnership and impact of the organization's work. The Chair of the Board emphasized the common goal of the Board, calling on all participants to reflect, deliberate, and take decisions as one body with one objective in mind: the pursuit of the Global Fund's mission. Finally, Ambassador Mireille Guigaz, Vice-Chair of the Board, expressed her personal support for the work of the Stephen Lewis Foundation, a non-profit organization working with children orphaned by the AIDS pandemic, and shared a video trailer of a film produced by the organization.
4. **Decision.** The Board appointed Paul Schaper, Board Member for the Private Sector constituency, as Rapporteur for the Meeting. (Decision Point GF/B32/DP01)
5. **Decision.** Turning to the Agenda, the Chair of the Board recalled the consultation process undertaken in preparing the Agenda for this Meeting. One constituency emphasized the importance of sufficient time being allocated for strategic matters, and called for an update on implementation of the action plans for gender equality and key populations to be included on the next Board Meeting Agenda. The Board approved the Agenda.² (Decision Point GF/B32/DP02)
6. The Board reviewed the "Action Sheet" of matters for follow-up arising from the previous Board Meetings.³ Dr Mboi emphasized that the Board and committee leadership continued to pay close attention to ongoing oversight, reporting requirements and ad-hoc deliverables arising from past Board Meetings.

Agenda Item 2: Report of the Executive Director (Board Information)

7. The Executive Director, Dr Mark Dybul, introduced his Report to the Board,⁴ which focused on recent progress in global health, presented an analysis of the current global health landscape, and outlined reflections on the medium and long-term future of the Global Fund, raising key questions concerning the nature of the Global Fund in 15 years' time. Dr Dybul outlined innovations and approaches which may contribute to attaining the goal of increased equity in global health. He extended sincere thanks to the Board and committee leaders and members for

¹ GF/BR2014/05: Report of the Board Retreat

² GF/B32/01 Revision 1: Agenda of the Thirty-Second Board Meeting

³ Presented in Annex 3 to this Report

⁴ GF/B32/02: Report of the Executive Director

their collegiality and positive relationship with the Secretariat, and acknowledged the quality and independence of the Secretariat's relationship with the Office of the Inspector General.

8. **Board discussion.** In a lengthy discussion chaired by Dr Nafsiah Mboi, constituencies thanked the Executive Director for a comprehensive and informative report, and for the work of the Secretariat in implementing the new funding model.

9. The Communities constituency thanked the Executive Director for his candor in expressing the limitations of the allocation methodology, and for his openness to the contribution and role of civil society, calling for "civil society strengthening" alongside health systems strengthening ("HSS").

10. Canada and Switzerland welcomed the Global Fund's role in encouraging countries to allocate domestic resources, noting the need for countries to identify overall public health priorities rather than undertaking domestic parallel funding of the disease programs. The constituency emphasized that HSS necessarily includes long-term integration of disease-specific responses into well-governed systems. Finally, the constituency underlined the ongoing need for an official annual report to facilitate donors' due diligence.

11. The Developed Country NGOs constituency recognized the evident respect for civil society in Global Fund discourse, emphasizing the need to maintain this focus. Recalling that the new funding model must respond to the real needs of real people, the constituency called for more detail about the register of unfunded quality demand to be available to facilitate proactive resource mobilization.

12. The Developing Country NGOs recognized the work undertaken in relation to the strategic objective on gender and human rights, and called for a comprehensive report to the Board at its Thirty-Third Board Meeting. The report should outline activities and budgetary allocation, activities undertaken with partners to realize the strategic objective, an analysis of relevant approved grants, and an update on the status of enforcement of the Technical Review Panel's ("TRP") recommendations on human rights, gender and key populations.

13. Eastern Europe and Central Asia expressed support for the e-marketplace initiative and sought reassurance that it would be accessible to the many middle-income countries not eligible for Global Fund funding. The constituency sought clarification on indicative funding and unfunded quality demand and expressed satisfaction regarding the increased use of equitable language in Global Fund documents. Finally, observing the fragile situation in Ukraine following years of successful improvement in access to services, the constituency informed the Board of an urgent appeal by the WHO Representative for the establishment of a humanitarian corridor to eastern Ukraine.

14. The Eastern Mediterranean constituency congratulated the Executive Director for bringing to completion the three-year turnaround initiated by the previous interim management, rebuilding confidence between the donor and implementer groups and the Secretariat. The constituency called for increased domestic financing but warned that this must be achieved alongside capacity building of human resources for health, and HSS.

15. The European Commission constituency welcomed the new funding model, considering its role in enabling integrated country programs. The constituency noted the ongoing need to engage countries to strengthen financial controls and in-country assurance. The constituency called on partners to ensure discussions regarding financing for the three diseases are integrated into broader discussions on the health system. Finally, citing the example of advancements in procurement, the constituency emphasized the need for sustainable improvements which enable development of country systems providing impact beyond Global Fund-financed programs and the three diseases.

16. France commended the Secretariat for progress made in implementing the new funding model under difficult circumstances in some cases, alerted the Secretariat to the need to simplify the model's complexities, and called for attention to be given to the lessons learnt from areas dealing with the Ebola crisis and the repercussions of infectious diseases on the whole health system. The constituency underlined the need to encourage political will among Global Fund partners with a goal of increasing domestic financing, and expressed support for key populations, women and girls.

17. Germany thanked the TRP for its work, and reiterated the importance of focusing resources where disease burden and ability-to-pay most call for support. The constituency reaffirmed their focus on HSS and understanding the complex relationship between causes and obstacles concerning equity of access to health services. The constituency expressed satisfaction at news of countries increasing domestic financing, noting the expectation that this investment not be limited to the three diseases, and include access for most-at-risk populations.

18. Japan expressed its prevailing domestic view on development policy that HSS and universal health coverage must be considered within the context of "human security". The constituency then reflected on the emergence of disparities within middle-income countries. Concerning the management of the Global Fund, the constituency called for continuing efficiency and organizational agility and flexibility in order to maintain its core identity as a partnership rather than a bureaucracy. The constituency cautioned the Board against attempting to micro-manage the Secretariat. Regarding investment in Global Fund staffing, the constituency emphasized the need to ensure impact on achievement of the organization's mission.

19. The Latin America and the Caribbean constituency extended appreciation to the Office of Board Affairs, regional managers and the technical bodies for their role in strengthening implementer constituency participation. The constituency observed that a future response to the strategic questions of the changing landscape of official development assistance would need to accommodate the realities of disease behavior, recognizing the progressive shift from high burden countries to high burden (key) populations within countries, in order to achieve the goal of saving lives and curbing the epidemics. Echoing earlier comments, the important human dimension in development processes and the need for simplification of and consistency within new funding model processes were underlined. It was further noted that the Partnership Forum should represent a mechanism not only to consult regarding the next Strategy, but to ensure continued work on national strategic plans, and for raising the issues identified at national level.

20. Point Seven commented on the Strategy development process as a strategic opportunity to position the Global Fund within the changing global health landscape, expressing the view that domestic resources for development would increase significantly within the next 15 years. The constituency welcomed the move towards more inclusive country dialogue involving key populations, and expressed expectation of increased integration of human rights and key population matters within Global Fund-financed programs. The constituency emphasized their expectation that Global Fund staff possess the necessary competencies to skillfully navigate the changing landscape. Finally, the constituency noted the need for a comprehensive annual report including reporting on results.

21. The South East Asia constituency commented on levels of dissatisfaction with the new funding model process. The constituency called for the Secretariat and the Strategy, Investment and Impact Committee ("SIIC") to evaluate the funding model and explore potential modifications. Furthermore, citing Thailand as an example of a country transitioning out of external funding, the constituency called for consideration to be given to the way in which the Global Fund interacts with countries as they move along the development continuum.

22. The UK and Australia constituency commended the Secretariat for implementation of the new funding model, recognizing the unprecedented workload and the innovative approaches that characterize the engagement of the institution. The constituency underlined the need to consider the burden experienced in-country due to preparing a concept note. Finally, the constituency called for earlier circulation of Board documents.

23. The USA constituency echoed earlier remarks, congratulated the Executive Director, and commended civil society engagement. The constituency emphasized the importance of a focus on sustainable strengthening of health systems in order to respond where needs are greatest.

24. The West and Central Africa constituency expressed appreciation for the opportunity for engagement afforded by the joint retreat of the implementer constituencies held in October 2014. Paying tribute to friends and colleagues whose lives had been lost to Ebola in the region, the constituency emphasized the weaknesses in health systems exposed by the outbreak, calling for HSS as the foundation of public health intervention.

25. The Western Pacific constituency recognized concerns of those working with the new funding model, and called for a survey of implementers on their experience with the model. Echoing earlier comments, the constituency drew on lessons learnt from the Ebola crisis regarding HSS, considered a necessary focus for the future work of the Global Fund.

26. The Partners constituency called for renewed commitment to ending the three epidemics, and for ambitious concept notes and grant-making. The constituency emphasized that the new funding model allows the scope to include HSS within disease programs. The constituency's comments were echoed by UNAIDS, who emphasized their commitment to their in-country role in inclusive country dialogue.

27. WHO commended the Executive Director for an excellent report, noted the evident interest of the Board in sustainable strengthening of health systems, and commented on the further analysis required of the new funding model. Finally, the WHO emphasized the importance of the next Strategy in the post-MDG environment, calling on the Global Fund to take stock of the WHO's strategies relating to the three diseases.

28. The World Bank advocated for a focus on up-front funding to reduce future liabilities, defining sustainability in the control of infectious diseases as being a function of funding, impact, as well as controlling and ending the diseases so as to reduce future investment requirements.

29. **Executive Director response.** The Executive Director emphasized the need for collective effort as a partnership in pursuit of the end of the three diseases as pandemics, underlined the role of technical partners and provided examples of integrated approaches in country. Dr Dybul acknowledged commentary regarding sustainable HSS, the important role of civil society and key populations, and the linkages between risk and assurance and program quality. He assured the Board of the focus on encouraging increased domestic financing for health, without limitation to the three diseases, and noted the shared responsibility with technical partners to ensure increased value for money and allocative responsibility.

30. New funding model. Dr Dybul outlined the anticipated new funding model analyses and review processes, including in relation to transitioning countries, and acknowledged the need to make further progress on differentiated, well-contextualized approaches to grant making and grant management. Regarding unfunded quality demand, the Executive Director noted that the register would be available in late January 2015, and underlined its role in resource mobilization, particularly among high net worth individuals and the private sector.

31. Sourcing. Regarding innovations in procurement, Dr Dybul confirmed that the e-marketplace initiative was intended as a global public good, to be developed through partnership and with external financing.

32. In response to the extensive commentary regarding the Ebola crisis, Dr Dybul acknowledged the critical role of Médecins sans Frontières, and focused particularly on the lessons learned from the experience of operating in post-conflict states. Finally, the Executive Director confirmed the plans to reinstate regular annual reports including reporting on results.

Agenda Item 3: Global Fund Mid-Term Plan and Financial Perspectives (Board Information)

33. Soltan Mammadov, Chair of the Finance and Operational Performance Committee (“FOPC”), introduced the agenda item, which was chaired by Ambassador Mireille Guigaz, Vice-Chair of the Board. The Chair of the FOPC noted that the upgrade in financial processes and systems had enabled the creation of the first Global Fund Mid-Term Plan (“MTP”), laid out in document GF/B32/05.⁵ Mr Mammadov confirmed the FOPC’s satisfaction with the timeliness and overall quality of financial reporting throughout the year, and commended the Secretariat for the establishment of robust financial tools and mechanisms supporting FOPC activities and decision-making processes.

34. Daniel Camus, Chief Financial Officer (“CFO”), introduced the MTP as the main tool to map out the forecast of sources and uses of funds over a multi-year horizon and a fundamental component for operating in accord with the Amended and Restated Comprehensive Funding Policy (“CFP”) approved by the Board at its Thirty-First Meeting in March 2014. In his introductory remarks, Mr Camus confirmed that the Secretariat now had in place core processes and systems which facilitate the collection and analysis of critical financial information, and outlined key achievements and future objectives of the Division, with respect to information technology (“IT”) systems, sourcing and supply chain, and finance. He highlighted that the Global Fund had started to make good progress on cash management and in the management of financial risks. At the same time, he explained that the Global Fund was currently operating in a very challenging macroeconomic environment.

35. The CFO showed a series of charts portraying the strengthening of the USD against all other donor currencies to which the Global Fund is exposed, explaining that because of this there was a major risk that pledges devalued between the time the contribution is booked and the time of actual encashment. He added that the foreign-exchange (“FX”) policy adopted by the FOPC in June 2014 authorized the Secretariat to respond to such risk through hedging, but that the operationalization of this was suffering a timing issue, due to the significant bank fines imposed by the US Office of Foreign Assets Control in relation to USD operations in certain countries, which include some of the countries where the Global Fund operates. These fines have affected most global banks, including two of the banks initially selected from a request-for-proposal process to support implementation of the FX policy. Because certain concerned countries are part of the Global Fund’s grant portfolio, it is necessary to face these regulatory challenges, which all international organizations and agencies that are seeking to establish new banking relationships are also experiencing.

36. The CFO concluded his introduction by presenting a diagram illustrating the interrelated components of the Global Fund’s planning cycle. The Strategic Objectives of the current Global Fund five-year Strategy are embedded into the Corporate Key Performance Indicators (“KPIs”) approved by the Board.⁶ Similarly, the Corporate KPI Framework formed the basis for the

⁵ GF/B32/05: Global Fund Mid-Term Plan

⁶ Refer to documents GF/B32/24a – Revision 1, and GF/B32/24b on the Corporate KPIs Framework for the 2014-2016 period

proposed 2015 operating expenses budget and its accompanying Corporate Work Plan, presented to the Board for approval in the following session.

Grants: Q3 2014 Actuals vs. the Third Forecast (F3)

37. Mr Camus proceeded to present an overview of the 2014 grant figures with special focus on the third or last forecast (F3) of the year. He informed the Board that total 2014 grant expenses (USD 2.8 billion) and disbursements (USD 3.1 billion) are expected to be 13% and 21%, respectively, below forecasted figures at the beginning of the fiscal year. In relation to 2014 disbursement trends, Mr Camus explained that disbursement levels were lower than originally expected due to the additional time needed by countries to develop strong concept notes, and emphasized that this process had not led to any disruption of service delivery. Other factors impacting on the 2014 disbursement levels are the high level of funds disbursed at the end of 2013 that remain to be expensed, and the matching of cash payments to delivery of products within the pooled procurement mechanism. Displaying a breakdown of disbursement levels by region, Mr Camus informed the Board that Q3 2014 actuals, at USD 0.6 billion, were significantly lower than the second forecast of the year (USD 1.2 billion) and Q3 2013 actuals (USD 1.0 billion). Additional information with respect to this variance was outlined in the slides accompanying the CFO's presentation to the Board.

38. Mr Camus informed the Board that the launch of the new funding model would result in a significant increase in disbursements over the 2014-2017 period, particularly in the regions of (1) High Impact Africa, and (2) Africa and the Middle East.

2014 Sources of Funds and the 2015-2017 Mid-Term Plan

39. The CFO presented the Global Fund MTP for the 2015-2017 period. Describing the methodology used to prepare the MTP, he highlighted that this edition had been developed based on a set of "internal assumptions" provided by Country Teams at the Secretariat, and information provided by concept notes up to the end of August 2014. Furthermore, the projected 2017 scenario was based on all known cases of grants that would require shorter grant implementation periods (i.e., ending before 31 December 2017). Unallocated incentive funding and unfunded quality demand ("UQD") amounts were not taken into account when calculating resources available for grants, rather, were modeled as potential additional resources that could address funding needs towards the end of 2017.

40. Continuing his presentation, Mr Camus shared an overview of the forecasted disbursements profile for the 2014-2017 period.⁷ A chart illustrating disbursement figures showed that USD 15.1 billion for the total allocation will be disbursed at a yearly average of USD 3.8 billion over the 2014-2017 period, with expected disbursement levels for 2014 set at USD 3.1 billion.

41. In relation to the typical four-year period ending 31 December 2017 over which grant allocations are to be utilized, Mr Camus commented that several countries had submitted concept notes with shortened grant implementation periods ending before 31 December 2017.⁸ The latest analysis reveals that as of November 2014, up to USD 1.3 billion of additional resources may be requested to bridge shortened grant programs to the end of 2017. The CFO explained that this indicative amount had been calculated based on in-house assumptions and underscored that this

⁷ Excluding UQD and remaining Incentive Funding (USD 747 million out of USD 950 million approved by the Board for the current allocation period).

⁸ As per the modalities approved by the Board (GF/B31/DP06) to transition from the Third to the Fourth Replenishment period, the USD 5.55 billion in sources of funds originating from the Third Replenishment Period (2011 – 2013), or earlier, was included in the total amount of resources made available for allocation to country bands for the 2014 – 2016 allocation period. At the time, the Board decided that the total amount of funding allocated in March 2014 would typically be utilized over a four-year period ending 31 December 2017 because of several factors including historical annual disbursement levels and absorption rates, as well as maintaining sustainable rates of funding.

figure may change over time as further concept notes are submitted and reviewed. Mr Camus emphasized that any requests by a disease component to utilize its allocated funding over a period ending prior to 31 December 2017 would be subject to close scrutiny prior to final approval. In this context, Mr Camus provided additional commentary around the different options and resources to address potential funding needs above the total amounts that have been allocated. He communicated the Secretariat's expectation that a share of the current forecasted undisbursed balance by the end of 2017, approximately USD 1.3 billion, could be committed to grant programs with a shortened grant implementation period ending prior to 31 December 2017. Mr Camus further informed the Board that the historical 2010-2013 average of "unused funds" from grants of countries or country disease components that plan to utilize their current allocation over a period ending prior to 31 December 2017 ranged from 75% to 90%. Applying these historical rates could therefore result in a USD 300 million to USD 900 million undisbursed balance of potential underspent funds across this portion of the grant portfolio. Moreover, he reminded Board Members that potential funding for UQD and the remaining incentive funding were yet to be allocated.

42. Mr Camus gave an overview of the sources of funds for the 2014-2016 period with special focus on the last forecast of the year. Donor contributions for Q4 2014, USD 1.5 billion, are expected to be 7% higher than the second forecast of the year for this quarter. Overall, total 2014 contributions, USD 3.9 billion, including the impact of depreciation of non-USD currencies of contributions, should remain within -1% variance from the previous forecast. Mr Camus noted that while some payment realignments may occur during the course of the 2014-2016 period, the overall commitment to the Global Fund should not be affected.

Asset and Liability Management and 2014-2015 Cash Forecast

43. As of November 2014, the Asset and Liability Management ("ALM") view shows USD 17.3 billion both for sources and uses of funds. Factors, so far unrealized, that could affect final 2014 sources of funds include a slight increase, or decrease, in donor conversion rates and amount of pledges, and foreign exchange rate volatility. As to potential variations in the uses of funds, Mr Camus noted that the Secretariat would continue to monitor closely the duration of grant implementation periods, the foreign exchange effect and countries' absorption levels. Concluding his presentation, Mr Camus provided an overview of the 2014 consolidated cash flows and informed the Board that the Secretariat currently forecasts a balanced net funding position at the end of the 2014-2016 period. From a cash management perspective, robust forecasting is essential to maximize the use of resources made available to beneficiaries of Global Fund programs while at the same time minimizing the amount of resources held "idle".

44. **Board discussion.** The Vice-Chair of the Board opened the floor for questions. Constituency comments demonstrated appreciation for the development and presentation of the first MTP, noting the usefulness of this forecasting tool to support financial oversight as well as the implementation of the new funding model.

45. Disbursement and absorption. The Board expressed general comfort with the rationale and trends behind the lower disbursement rates, and acknowledged that levels are expected to increase during the remainder of the allocation period and that absorption levels are usually below 100%. On this basis, some constituencies requested further information about opportunities to allocate additional resources to scale up successful grant programs.

46. Implementation periods. Some constituencies emphasized the importance of compliance with the Amended and Restated Comprehensive Funding Policy ("CFP") and commended the Secretariat for the flexibility applied to the duration of the implementation periods of a reduced number of grants. However, constituencies requested further clarification regarding the financial implications of increasing the level of potential liabilities in 2017 as a result of shortening the implementation period of grant programs. Furthermore, constituencies called for greater clarity about the process and criteria for shortening implementation periods, and whether unused

resources from grants could be used to bridge programs through the end of 2017, as well as enquiring as to the links, if any, to the additional resources that could be available for UQD.

47. Final questions related to the lower disbursement levels in 2014 and whether this result would have a major impact on the desired outcomes of the current replenishment period. Some constituencies requested additional information and urged the Secretariat to provide future updates on the cash management practices as well as implementation of policies to address key financial risks at the organization and country levels.

48. **Secretariat response.** Shortened grant implementation periods. Responding to questions relating to shortened grant implementation periods, the Executive Director reminded the Board that the estimated USD 1.3 billion figure of additional resources to bridge shortened programs through the end of 2017 was determined by a bottom-up approach with the help and knowledge of Country Teams at the Secretariat. Dr Dybul further noted that assessment of additional resources to address country needs should be based on a strict criteria, and that most requests were expected to relate to maintaining continuity of services. Furthermore, he informed the Board that, for example, in the case of malaria grants, LLIN distribution campaigns take place every three years while current program implementation periods were typically planned for four years.

49. Comprehensive Funding Policy provisions. The Executive Director confirmed that, based on the figures presented by the CFO, the ongoing shortened grant duration process and the Amended and Restated CFP were currently aligned. He confirmed that forecasted sources and uses of funds, as well as cash flows, for the current allocation period would be updated and closely monitored on a quarterly basis with the aim of complying with the CFP provisions. In the event of a future mismatch between the sources and uses of funds, the Secretariat will inform the Board in a timely manner to create the necessary tools and take appropriate action.

50. Available resources and programmatic results. Responding to questions about awarding additional funding from unused country resources to scale up programs, Dr Dybul clarified that all resources available for the current allocation period are expected to be awarded. More refined historical spend rates should be taken into consideration when awarding allocations to individual disease components for the next allocation period, a critical point which has been raised by different stakeholders as well as in the latest Report of the Executive Director.⁹ As to present 2014 disbursement rates, Dr Dybul stressed that these figures should not have a negative impact on the desired programmatic results as countries are still accessing funds required in a timely fashion that keeps up with the rate of programmatic activities. With this backdrop, he noted that the Secretariat together with the Board and partners should assess how to efficiently utilize all available resources more rapidly and more effectively over the current allocation period. Based on this preliminary analysis and the latest forecast, the Secretariat believes that applying a prudent degree of flexibility around grant duration for certain programs is both reasonable and manageable. Because unused funds that become available across countries could theoretically present a means to bridge programs through 2017, there will be continued monitoring of the availability and possible utilization of such funds. Nevertheless, the Executive Director noted in concluding comments that for the time being, unused resources are expected to remain within countries.

51. Liabilities. Complementing commentary provided by the Executive Director, Mr Camus explained that the Secretariat was keeping track of future liabilities that would be incurred as a result of shortening implementation periods of Global Fund programs. He further noted that, as deemed necessary later in the current allocation period, the Board may be asked to identify opportunities for reallocating resources across the portfolio. Today, the Global Fund's balance sheet displays a balanced picture based on all approved grants, including the shortened ones.

⁹ GF/B32/02: Report of the Executive Director

52. Thanking the Executive Director and the CFO for their comments, one constituency emphasized that balance between liabilities and assets was paramount and that, for this reason, it would oppose any decision to increase liabilities as a result of shortened grants in the current replenishment period, urging the Secretariat to manage the financial impact of shortened grants within the portfolio and the allocation envelope.

53. In-country cash management. Mr Camus noted that once funds are released by the Global Fund, countries bear and are exposed to a series of financial risks, including foreign exchange volatility. Accordingly, and based on the latest discussions and measures approved by the FOPC, the Secretariat will closely monitor these risks and offer guidance to countries to strengthen their ability to address them.

54. 2017 outlook. Closing the session, Mr Camus stressed that all figures provided to the Board gave a snapshot of the forecasted Global Fund 2017 financial outlook as of November 2014. He underscored that the Board now had the appropriate tools and sufficient time to assess the information provided in the MTP, monitor how the portfolio evolves and take any necessary measures to make adjustments. In the meantime, the Secretariat will continue to report to the FOPC on the financial picture on a quarterly basis.

Agenda Item 4: 2015 OPEX and Corporate Work Plan (Board Decision)

55. Jason Lawrence, Vice-Chair of the FOPC, introduced the agenda item, chaired by the Vice-Chair of the Board. He commended the Secretariat for the establishment of robust financial systems supporting the management of Global Fund resources and the full implementation of the new funding model. Mr Lawrence noted that the FOPC had discussed at length the proposed 2015 Operating Expenses (the “OPEX”) Budget and its accompanying Corporate Work Plan, and had agreed unanimously to recommend both for Board approval.

56. Mr Camus presented the proposed 2015 OPEX budget of USD 299.8 million, as set forth in document GF/B32/03.¹⁰ Through an accompanying set of slides outlining the budget details, he emphasized that the proposal was the result of a thorough exercise based on the Secretariat’s close monitoring of financial resources, detailed underlying assumptions and an overall improved budget framework, was guided by a set of eight corporate priorities, and remained within the threshold of USD 300 million per fiscal year.

57. **Board discussion.** Constituencies commended the Secretariat for delivering a clear and comprehensive presentation of the 2015 budget, widening the scope and improving the information presented in the Corporate Work Plan. They welcomed the direct links between costs and the Corporate KPIs, as well as the focus on investing more strategically and maintaining the USD 300 million budget ceiling. The Board noted that the overall costs of assurance remained high. Questions from constituencies focused on plans for a future ‘mid-year’ review of the budget for certain work streams including the Strategic Review 2015, market shaping activities, the e-marketplace project and replenishment-related activities.

58. Allocation of resources and prioritization. Board commentary focused on the need to allocate additional resources to support CCMs, to further reduce Local Fund Agent (“LFA”) costs, and consider redirecting some of the LFA work towards country capacity building activities. Finally, the Board called for the next version of the Corporate Work Plan to highlight deprioritized work streams from the previous year and provide additional analysis around Global Fund staff movement across divisions over time.

59. OIG budget and work plans. Some constituencies urged the Secretariat to provide a full account to the FOPC of the review process of the OIG budget and its work plans with the aim of

¹⁰ GF/B32/03: The Global Fund OPEX Budget 2015

providing a complete view over the Global Fund's financial resources. Further commentary noted the expectation that the OIG budget be fully utilized given the low level of expenditure reflected in the latest 2014 forecast. Questions regarding the OIG budget were addressed later in the day by the Inspector General.

60. Human rights. Several constituencies requested additional information around the budget allocation and planned activities to protect human rights including tracking of investments and complaints, and management of reported violations. The Executive Director explained that resources dedicated to human rights are mainly captured in the budget through the staff costs associated with the Community, Rights and Gender Department (i.e., the department that manages the human rights work stream among other responsibilities), which is increasing from five to eight full time staff from the previous year. He further noted that, in addition to the dedicated experts in this team, there is a significant amount of work conducted by the Country Teams to integrate these issues into country dialogues and grant programs. Thus, the proposed budget and efforts of the different teams at the Secretariat demonstrate the increased commitment to advance human rights initiatives within Global Fund operations.

61. Efficiency. Further commentary focused on the benchmark of efficiency operating ratios in comparison to similar organizations, and professional fees costs related to activity not directly related to 2015 priorities. In relation to the operating expenses efficiency ratios, the CFO reminded the Board of the results of a benchmark study presented to the FOPC at the end of 2013 comparing the Global Fund's operating expenses to five similar organizations. For example, the Global Fund's share of operating expenses over total grant disbursements plus operating expenses (7.5%) is below the average of comparable organizations (10.3%). At the time the study was conducted, the Global Fund also scored favorably in terms of total operating expenditures over the total amount of active grants under management (2.3 %) when compared with the average of peer organizations (4.3%).

62. Sourcing. One constituency requested additional information about the potential financial implications of the transformation of the sourcing function and risks related to the implementation of the e-marketplace initiative. In response, the CFO underlined that, given the available information at the time, the Secretariat had allocated a best estimate to develop a feasibility study of the e-marketplace. He indicated that the FOPC would be updated on the progress of this project including cost implications. Regarding the measurement of value for money, he acknowledged that reducing the price of commodities should not be the only goal. He explained that the current measurement was as defined in KPI10, and that the definition of value for money should be widened while ensuring results can be quantified.

63. LFA role. In response to Board commentary, Dr Dybul noted that involving LFAs in establishing capacity building activities in country would raise issues around conflict of interest at the time of evaluating programs and Principal Recipients' performance.

64. Headcount. The Executive Director called on constituencies to assess the work of the Secretariat in terms of meeting goals against agreed Global Fund work plans and deliverables rather than evaluating headcount by division. Building on this comment, the Vice-Chair of the FOPC informed the Board that at each in-person meeting the committee reviewed human resources matters, and remained available to answer additional questions.

65. Professional fees. Mr Camus underscored the significant effort made to reduce expenditure on professional fees over the past three years. He reminded the Board that the Global Fund was still in a transformation phase delivering the full launch of the funding model, and that the current level of expenditure on professional fees was therefore not unusual. He stressed that a series of projects requiring external consultant support remained ongoing, such as the launch of new IT platforms.

66. **Decision.** The Vice-Chair reminded constituencies that for the first time both the 2015 Budget and its accompanying Corporate Work Plan were presented for Board approval. The Board approved the FOPC's recommendation (Decision Point [GF/B32/DP03](#)). The South East Asia Constituency abstained based on some concern with the language around privileges and immunities included in the Corporate Work Plan.

Agenda Item 5: Report of the Inspector General (Board Information)

67. The Vice-Chair of the Board introduced the agenda item. The Inspector General submitted a report to the Board, document GF/B32/06,¹¹ presenting a detailed overview of progress from January to October 2014, an update on the revised 2014 Audit Work Plan, progress against the 2014 Investigations Work Plan, a status update on the legacy investigations cases dating from before 2012, information regarding staffing, and expenditure against operating budget. The report included the 2015 work plans for the Audit and Investigations Units respectively, as approved by the AEC at its 10th Meeting in October 2014. Martin O'Malley, the Inspector General, expanded on the detail presented in the Report and responded to earlier comments from the Board.

68. OIG budget. Following queries during discussion on the 2015 OPEX, the Inspector General explained the rationale and process leading to the development of the 2015 operating expenses budget for the OIG, assuring the Board that the USD 16.4 million budget approved for 2015 was based on full headcount and clearly defined work plans for both the Audit and Investigations Units, and had followed the same process as the development of the Secretariat budget. Recognizing the OIG underspend against the approved budget in 2014, Mr O'Malley explained that this had resulted from significant staff vacancies, with the Audit Unit operating at less than 50 percent capacity for much of the year. This had also impacted on the Unit's deliverables. The Inspector General nonetheless confirmed to the Board that the OIG would be in a position to deliver the anticipated Annual Statement of Assurance to the AEC and to the Board in March 2015.

69. Quality assessment. The Inspector General confirmed that the OIG had fulfilled its commitment to undergoing an External Quality Assessment ("EQA"), with the as-yet unpublished results indicating that the OIG was in compliance with international standards and guidelines for audit and investigations.

70. Legacy investigations. Mr O'Malley reconfirmed his commitment to closing out all legacy investigations cases before the arrival of his successor. Recognizing the potential for misperception in reaction to the recent publication of a high volume of OIG reports, the Inspector General clarified that the majority of recent publications related to legacy cases, and should not be considered cause for alarm as to the current state of affairs in the Global Fund portfolio.

71. Complaints handling process. The Inspector General outlined the robust and documented classification and screening processes undertaken prior to the determination as to whether to investigate an allegation. He attributed the increase in complaints received by the OIG to improvement in processes and the 2014 outreach campaign, which was raising awareness of the whistle-blowing procedure. The Inspector General commented on the complaints conversion ratio, noting that of 122 complaints received thus far in 2014, around 42 percent had resulted in investigations, had been merged into existing cases, or had been referred to the Secretariat, with the latter then monitored to ensure follow-up.

72. Human rights. Mr O'Malley emphasized that the investigation of human rights violations remained a key priority for the office. Noting the involvement of the OIG in developing the human rights clauses now purposefully included in the Global Fund's grant agreements, he informed the

¹¹ GF/B32/06: OIG Progress Report, January to October 2014

Board that the Investigations Unit continued to work closely with the Secretariat's Community, Rights and Gender Department on the continuing development of a comprehensive human rights complaints procedure.

73. **Board discussion.** Opening the floor for comments, constituencies welcomed the improvements in quality of the work of the OIG, the progress on legacy investigations cases, the improvements in OIG communications and transparency, and the productive and collaborative approach to interaction with the Secretariat, with partners, and in country. The commitment to issuing the Annual Statement of Assurance was strongly welcomed, and the OIG was commended for attaining international recognition. Finally, constituencies expressed their appreciation to Martin O'Malley for his positive impact on the work of the OIG, his significant achievements and his commitment during his tenure, and wished him well in his future endeavors.

74. Human rights. Constituency comments focused particularly on human rights matters, supporting the work completed to date, and calling for a yet more targeted and prioritized approach to the human rights agenda, as a pillar of the Global Fund Strategy. Constituencies provided guidance to the OIG and the Secretariat, recognizing the legal and political complexities and sensitivities involved. Guidance included ensuring that the Global Fund learns from the experience of the World Bank, UN agencies and other partners with experience in this field. Furthermore, it was suggested that the Global Fund make use of existing partners' expertise, both through formal international frameworks for responding to human rights violations, and through political engagement at country level in order to try to resolve and prevent human rights violations.

75. In response to constituencies' comments regarding human rights matters, the Inspector General expressed agreement with the need to engage with partners, underlining the need for extensive outreach so as to benefit from the experience and expertise of the Board, partners and other stakeholders. Recognizing the sensitivities inherent to human rights matters, Mr O'Malley emphasized the critical focus on robust procedures, strong communication, and professional handling of the process, expressing confidence in the abilities of the Director of Investigations to take this work forward successfully.

76. Agreed Management Action Tracking. A request was submitted for a dedicated website whereby donor governments would have access to information detailing the status of follow-up on the findings of published OIG audit and investigation reports. The Inspector General later responded to confirm the OIG's intention to share a summary of the regular reports on the status of Agreed Management Actions on the OIG website to enable tracking of progress. He emphasized that this approach required confidence in data quality, informing the Board that this information should be publically available in the near future.

77. Linguistic matters. The French constituency called for increased attention to engaging multilingual staff for work in country, to which the Inspector General later responded that incoming recruits were expected to bring more linguistic variety to the OIG.

78. **AEC comment.** Closing the session, the Chair of the AEC spoke positively of the OIG's performance, commending the OIG for the evident quality of both their work and their interactions, recognizing the collaboration of the Executive Director and the Secretariat, and underlining the contributions of the OIG to an increasingly effective and efficient Global Fund.

Agenda Item 6: Implementation of OIG Recommendations and Agreed Actions (Board Information)

79. The OIG submitted a formal report to the Board on the status of implementation of OIG Agreed Management Actions (“AMAs”), document GF/B32/07 Revision 1.¹² This report will become a standing agenda item, and provides an overview of progress made by the Secretariat in implementing AMAs, the status of closed AMAs and their validation by the OIG, and highlights material issues identified for the Secretariat’s prioritization. In a session chaired by the Vice-Chair of the Board, the Inspector General underlined the OIG’s shift in emphasis from identifying problems to developing high-quality AMAs, which address underlying causes of OIG-identified issues, and which the Secretariat agrees are practicable and can be implemented within reasonable timeframes.

80. Mr O’Malley informed the Board of the robust AMA tracking process now in place, and the monthly reporting by the OIG to the Management Executive Committee. Summarizing the report’s findings, he noted a general positive trend in closing out AMAs and overdue AMAs, commenting on the Secretariat’s engagement to the process. In relation to the five material issues identified for Secretariat attention, Mr O’Malley drew the Board’s attention to the limited progress made on recovering funds that are non-compliant with grant agreements, and expressed support for the solutions proposed by the Secretariat to ensure increased attention to robust record-keeping, tracking and monitoring of recoveries.

81. **Board discussion.** Constituencies were positive about the AMA approach, with the United States constituency recognizing in particular the effective cooperation between the Global Fund Secretariat, the Global Fund OIG and the Office of the Inspector General of the US Department of Health and Human Services. It was noted that while visible progress had been made on AMAs relating to grant management, progress on AMAs relating to the Strategy and Finance Divisions remained stagnant. In response to this concern, the Executive Director noted the long-term nature of the AMAs relating to strategy and finance, and reaffirmed the Secretariat’s commitment to continued work in these areas.

Agenda Item 7: Losses and Recoveries (Board Information and Board Decision)

82. The Vice-Chair of the Board introduced the agenda item. Graham Joscelyne, Chair of the AEC, outlined the two elements for Board attention during the session. First, presentation by the Secretariat of the current Losses and Recoveries Report, and second, consideration of new parameters for reporting to the Board on the status of recoveries. Mr Joscelyne alerted the Board to a friendly amendment to the proposed decision point previously shared with the Board, fully supported by the AEC, which served to broaden the scope of the reporting requirement so as to include reporting to the Board on recoverable amounts identified in the due course of grant management.

83. Losses and Recoveries Report. Cees Klumper, the Chief Risk Officer (“CRO”), presented the status of losses and recoveries of amounts deemed recoverable by the Secretariat based on amounts reported by the OIG, document GF/B32/16. Mr Klumper confirmed that as at the date of the Report, 45 percent had either been recovered in cash (29 percent), or were subject to a firm commitment to repay by the Principal Recipient (16 percent). Secondly, Mr Klumper noted that 1 percent of recoverable amounts had been written off, and assured the Board that the Secretariat continued to actively pursue the outstanding 54 percent.

84. Contextualizing these figures with reference to OIG audits and investigations, the CRO noted that of the approximately USD 6 billion of grant funds audited or investigated by the OIG

¹² GF/B32/07-Revision 1: OIG Status Update on Agreed Management Actions

to date, misused funds represented approximately 1.8 percent of that figure (before taking into account recoveries made). That is, a small proportion of overall disbursements. The CRO informed the Board of the measures to be taken in 2015 to render the recoveries process increasingly robust and effective, and reminded the Board of the challenges involved in recovering misused funds arising from OIG legacy cases.

85. Communication on status of recoveries. Turning to the proposal set forth in document GF/B32/17,¹³ the CRO communicated the Secretariat's commitment to the broadened scope of reporting requirements to include recoverable amounts identified in the normal course of grant management.

86. **Board discussion.** Constituencies confirmed their support for the amendment to the decision point, and for the increased transparency in reporting to the Board on recoveries in the context of the Global Fund's zero tolerance approach to fraud. The European Commission in particular underlined their attention to and prioritization of full and timely recovery of all funds deemed to be misused, and their support for the amendment to the decision. Constituencies sought clarification as to the role of the LFA in the recoveries process, the process to be followed in order to validate recoverable amounts identified in the course of grant management, and emphasized the particular challenges inherent in cases of recoveries identified by legacy investigations. Finally, constituencies sought confirmation as to the measures in place to ensure that the pursuit of recoveries under the terms of the new grant agreement would not infringe on delivery of the Global Fund's programmatic objectives.

87. **Secretariat response.** The CRO clarified that the LFA regularly played a key role in the recoveries process, first by reporting possible cases of misuse of funds for OIG attention, and additionally, through their engagement for occasional validation work. In the context of the proposed broadened reporting requirements, Mr Klumper confirmed that the Recoveries Committee, working closely with the Legal Counsel, would develop a methodology to govern the identification and validation of amounts deemed recoverable in the due course of grant management. The Executive Director and Head, Grant Management Division, reassured the Board of the Secretariat's attention to balancing fiduciary priorities with programmatic objectives, noting that while the Global Fund was calling for full repayment of recoverable amounts by the end of the current allocation period, the organization would exercise sensitivity to country context in the scheduling of repayments.

88. **Decision.** Following consideration of the decision point as amended, the Board approved the approach for Communication on Status of Recoveries. (GF/B32/DP04)

Agenda Item 8: Governance Reform (Board Decision)

89. In a session chaired by the Board Chair, Ton Coenen, Chair of the Working Group on Governance ("WGG"), opened the agenda item by noting that in light of inputs received from Board Members and Alternates at the Board Retreat held on 16-18 November 2014, the WGG had issued a revision to the proposed Governance Plan for Impact.¹⁴ Mr Coenen presented an outline of the work of the WGG. He commented that the WGG's analysis had been completed on the basis of the findings of the OIG Governance Advisory Review ("OIG Review"),¹⁵ as well as the recommendations of the Comprehensive Reform Working Group¹⁶ and the High-Level Review Panel.¹⁷ Furthermore, he confirmed that the WGG had focused on the three core areas identified

¹³ GF/B32/17 : Communication on Status of Recoveries

¹⁴ GF/B32/08 Revision 2: Governance Plan for Impact

¹⁵ GF-OIG-14-008: OIG Review of Governance.

¹⁶ GF/B23/13: Report of the Comprehensive Reform Working Group, May 2011.

¹⁷ Report of the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms, September 2011.

by the OIG Review as needing particular attention: Governance Oversight, Risk Management and Assessment of Organizational Performance.

90. Mr Coenen presented the elements of the recommended decision for Board approval, set forth in document GF/B32/08 Revision 2. Consideration of the Board's voting structure was referred to the Transitional Governance Committee ("TGC") and not presented for decision at the Thirty-Second Board Meeting. Likewise, regarding the Board leadership term, Mr Coenen noted that following discussions at the Board Retreat, the intended proposal to extend Board leadership terms from two to three years had been withdrawn from the WGG's recommendations.

91. **Board discussion and WGG response.** Constituencies expressed recognition for the valuable work of the WGG, congratulating the group on the well-developed recommendations presented for Board consideration. In addition, constituencies thanked the OIG for the valuable Governance Review which had stimulated and informed the work of the WGG.

92. Membership and timeline for the launch of the Transitional Governance Committee. Certain constituencies expressed a preference for an accelerated launch process. A number of constituencies underlined the value of including at least some of the current WGG members so as to preserve institutional knowledge and continuity, while others supported the nomination of new members so as to avoid actual or perceived conflicts of interest. There was widespread support for nomination of candidates on the basis of skills and experience. In line with the recommendation of the WGG, it was emphasized that the TGC would have equal standing to the three standing committees of the Board during its mandate. There was also discussion of the principle that TGC members were to act in their individual capacity rather than as representatives of their nominating constituency. In response to the comments relating to membership of the TGC, the Chair of the WGG later clarified that WGG members would not put themselves forward for membership of the TGC so as to avoid any possible perceived conflict of interest, noting that this approach could be reconsidered if requested by the Board.

93. Mandate of the TGC. The Japan constituency stated for the record that oversight of both the governance functions and the performance of governance structures was the prerogative and duty of the Board and its leadership, and should not be delegated to committees and working groups. The constituency sought confirmation from the Chair of the WGG and from the Chair of the Board that the responsibilities delegated to the TGC would be of a procedural or advisory nature, while the substantive mandate to oversee governance would remain with the Board and its leadership. In response to this concern, Mr Coenen confirmed that the mandate of the TGC was under the Board and its work would be in harmony with the Global Fund's governance structure.

94. In further discussion, it was emphasized that the mandate of the TGC called for submission of a more developed work plan to the Board ahead of its Thirty-Third Meeting in March 2015. Constituencies sought clarification as to the budgetary implications of the TGC, and received reassurance from the Secretariat that the costs involved in managing the additional committee would be covered within the already-approved 2015 OPEX budget.

95. Board leadership term. There was general consensus among donor constituencies that the term should be considered by the TGC. This would include, among other things, discussion of issues such as implementation of an effective performance evaluation mechanism, and clarification of the rationale related to recommended term of office. While some constituencies saw a benefit to the longer three-year term that had been presented during the Board Retreat, others expressed some concern regarding the potentially burdensome nature of a three-year term on elected individuals, who often have significant commitments outside of the Global Fund. Ton Coenen later confirmed that the WGG's recommendation was that the terms of Board leadership appointments should be considered by the TGC.

96. Enhanced governance structure. The proposal received widespread support from the Board, with particular backing being expressed for strengthening oversight of governance and risk management. One constituency commented that the changes represented a refinement of the current structure, rather than a major change. Constituencies submitted suggestions for consideration, including a request that independent members be considered for both the Audit and Finance Committee, as well as the Ethics and Governance Committee. The Chair of the WGG noted that any recommendation to this effect would need to be considered by the TGC.

97. Live streaming of Board Meetings. A number of constituencies expressed concern, identifying that this might lead to increased politicization of Board Meetings, possibly reducing the candor and thus the value of discussions. Mr Coenen later indicated that this would be another issue to be revisited by the TGC.

98. Voting structure. Constituencies expressed overall support for the TGC to continue to review the voting structure. Several constituencies expressed a desire to move away from the current bloc structure to a more inclusive, consensus-based structure, whereas others emphasized that the current voting structure supported parity within the decision-making process, speaking in support of maintaining the bloc structure. Furthermore, several constituencies underlined that the voting structure represented a critical characteristic of the Global Fund's governance system, and that sufficient time and attention should be paid to addressing this matter. The review of the voting structure was referred to the TGC for thorough analysis and careful consideration.

99. Lifecycle management. The recommendations received support. Specifically, the development of procedures for the onboarding and offboarding of Board Members, including the Board leadership. A number of constituencies emphasized the importance of performance evaluations across the governance structure, including for the Board leadership. They also underlined the need for committee members to be equipped with appropriate competencies, and supported the proposal that the TGC examine the selection procedures. The Chair of the WGG later advised that performance evaluation across the governance system was within the mandate of the TGC, and noted the need to develop the procedures and systems required to perform these evaluations.

100. Partnership Forum. Constituencies voiced support for an inclusive, consultative process, with a regional focus and involving a wide range of stakeholders. The Chair of the WGG confirmed the WGG's consensus with Board opinion on this matter, commenting that the intention of the WGG recommendation had been to allow for this flexibility.

101. Board discussion. WHO recorded their interest in serving on the future Strategy and Operations Committee, and called on the TGC to take measures to ensure that key work streams such as the 2017-2021 Strategy development process and the Strategic Review process involve all relevant Board constituencies including technical partners. Lastly, one constituency inquired as to the timing for inclusion of CCM oversight matters within the governance structure. In response to this query, the Chair of the WGG noted that the planned OIG review of CCMs, scheduled for 2015, could feed into the TGC's consideration of CCM oversight matters within the governance structure.

102. Before moving to the decision point, the Chair of the WGG gave a final word of advice, recommending that the work of the TGC necessarily include consultation with Board constituencies, an approach that had proven invaluable to the work of the WGG.

103. **Decision.** Following extensive discussion, the Board approved the recommendations in the Governance Plan for Impact. (Decision Point GF/B32/DP05)

Agenda Item 9: Executive Session

104. The Board met in Executive Session at the end of day one 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.¹⁸

Agenda Item 10: Review of Lessons Learned from the New Funding Model Roll-Out and Report from the Technical Review Panel (Board Information)

105. The Board Chair introduced the first session of the day. David Stevenson, Chair of the SIIC, informed the Board that the Secretariat was identifying challenges and learning important lessons from the roll-out of the new funding model, both from Technical Review Panel (“TRP”) review of concept notes, input from partners, and from the TERG’s Strategic Review, highlights of which would be presented in this session.

106. **Secretariat presentation.** Mark Edington, Head, Grant Management Division, then made a presentation on the implementation of the new funding model (“NFM”), presented in document GF/B32/09,¹⁹ including data covering TRP review windows 1, 2 and 3. His presentation covered progress made and lessons learned in rolling out the NFM, commenting in particular on delivery against the five strategic objectives.

107. Reflecting on the first waves of funding model implementation, Mr Edington informed the Board that several issues had been identified which may require revisions to policy, including: incentive funding, allocation and band methodology, application of the Minimum Required Level (“MRL”), eligibility issues around transitioning countries, challenging operating environments and targeting domestic funding to high impact interventions. He presented an overview of the status of regional expressions of interest, noting that, following TRP review in early 2015, around USD 120 million would be allocated to 16 concept notes from the originally submitted 43 expressions of interest. Finally, Mr Edington informed the Board that a second batch of applications was expected in April 2015 for which the available allocation was currently USD 80 million. Abigail Moreland, Head of the Access to Funding Department, provided a short update on the status of each of the six Special Initiatives approved under the new funding model, informing the Board that more detailed presentations and discussions had taken place at the recent SIIC and FOPC meetings.

108. **TRP presentation.** Lucie Blok, Chair of the TRP, presented observations from the TRP perspective as set forth in document GF/B32/10,²⁰ noting that the new funding model was a major improvement over the rounds-based system, with a move to consideration not only of technical soundness, but also strategic focus and whether funding would be used to achieve maximum impact. In addition, the TRP also considers above-allocation requests to determine whether these should be included on the Register of Unfunded Quality Demand or considered for Incentive Funding.

¹⁸ Operating Procedures of the Board and Committees of the Global Fund, as amended 20 November 2014, section 19:

19.1. In its discretion, the Board may conduct its business in closed (executive) session where only Voting Board Members and Alternate Members, or their official designates, may be present. The Board Chair should exclude non-voting ex-officio Board Members from attending a closed session, unless it is deemed by the Board Chair to be appropriate to include such Board Members based on the content of the discussion.

19.2. In accordance with Board policy, recordings of the closed sessions shall be kept confidential. However, the outcome of the deliberations may be made public if the Board Chair deems it appropriate. An official record of closed sessions must be maintained by the Board Chair and deposited with the Legal Counsel of the Global Fund and handed over to his or her successor or as needed.

¹⁹ GF/B32/09: Lessons Learned from the roll-out of the funding model

²⁰ GF/B32/10: Report from the Technical Review Panel

109. Dr Blok emphasized that there is regular reporting by the TRP to the SIIC and the Board, actively sharing lessons learned from countries, CCMs, and partners, as well as reporting overall policy lessons to the Board. Dr Blok underscored that the increased engagement of the TRP with country teams, partners and the Secretariat's Grant Approvals Committee was not an infringement on the independence of the TRP, which takes its decisions as a panel seriously, and has a very strict Conflict of Interest policy. She then informed the Board that the TRP had made allocation recommendations for USD 364.6 million for incentive funding in windows 1 to 3, reminding the Board that in taking its decisions, the TRP considers the potential for leveraging more funding, either domestic or non-domestic, as well as the potential for impact. Past performance is also taken into account, as is capacity, to avoid allocating more money to a country than can be used. Unfortunately, incentive funding is often used to fill funding gaps for essential programs, with little left over for innovative interventions.

110. Referring to the lessons learned from the implementation of the new funding model thus far, Dr Blok referred constituencies to the regular TRP reports which provided additional and detailed information. Recurring issues observed by the TRP included above-allocation requests and full expression of demand, which were not systematically or always correctly submitted by countries, and non-prioritization of the highest impact interventions in proposals. Dr Blok underlined that the shorter grant durations being proposed placed additional responsibility on the Global Fund to ensure continued support to countries and people in the event that no additional resources are identified. Moreover, she emphasized the resulting risk in relation to funding needs for 2017. Finally, she informed the Board that the TRP was engaging with the Secretariat to discuss options for flexible approaches to countries, based on size and disease burden, as well as methodologies for fragile states.

111. Dr Blok closed her presentation by informing the Board that the regular review of lessons learned from the roll-out of the new funding model had led to major improvements, and that the TRP was encouraged to see this. The SIIC Chair reminded the Board that this process had commenced only nine months earlier in March 2014, emphasizing the importance of the ongoing learning process for the Secretariat, the SIIC, the TRP and the Board so as to improve the model and maximize impact in countries.

112. **Board discussion.** In the discussion that followed, there was universal appreciation for the evaluation of the NFM roll-out, carried out by the Secretariat and the TRP, and recognition that there was still room for improvement. Enhanced engagement between the SIIC and the TRP was considered important for the SIIC's oversight role. Several constituencies expressed appreciation for information on the lessons learned from the first three windows.

113. Community systems strengthening. The Board asked the TRP to include analysis of community system strengthening ("CSS") in its next report, and to provide an overview of CSS in the first four windows. Technical partners were also requested to provide information to the SIIC and the FOPC on the measures taken to adjust and strengthen technical assistance based on the lessons learned from the TRP.

114. Concept notes. The accelerated concept note submission rate, and approval rate, were deemed encouraging, and the concept note development process was seen as helping countries to position Global Fund investments better in order to fill the gaps to meet funding needs. However, it was noted that the gaps remain larger than available funding amounts. In addition, constituencies commented that while focusing on national strategic plans had helped to identify the real priorities in countries, it was also necessary to recognize the accompanying tensions raised when prioritizing Global Fund allocations within the broader prioritization process of the national strategic plan.

115. Key populations. Constituencies further called for more inclusive country dialogue, in particular to ensure engagement of communities and meaningful inclusion of key populations. One constituency proposed that the Secretariat and technical partners consider implementing a

framework to capture the meaningful involvement of key populations and communities during the entire iterative process, stressing that this should not be a political checklist. Furthermore, it was observed that in order to build long-term, sustainable interventions, funding must allow for programs financing communities and key populations.

116. Regional proposals. These were viewed as an important mechanism both to build sustainable impact for key populations, as well as to deal with cross-border issues. An effective cross-border approach to malaria was being implemented in Eastern and Southern Africa, although increased technical support was needed. Regional proposals and cross-border interventions were also considered an opportunity for TB interventions. However, the 16 regional expressions of interest submitted so far represented a total of USD 234 million in requested funding, against an available amount of USD 120 million, demonstrating the gap between expressed needs and available funding.

117. Cross-cutting issues. Several constituencies expressed concern regarding the extent of inclusion of cross-cutting issues in concept note narratives, but not in programming or budgeting. Concerns were also voiced about misallocation of resources. Constituencies identified opportunities for cost-saving and efficiencies in areas such as integration, optimizing delivery models and optimizing geographical targeting.

118. Health Systems Strengthening. This issue generated comments, with concern expressed that approaches should be identified to ensure that funding allocated to the three diseases contributed to strengthening the system and scaling up. However, this often led to issues of absorption capacity and to disparities in the effectiveness of disbursements for one disease versus another within countries. To counteract this, a ‘whole country’ approach to HSS should be taken, through collaboration with communities and civil society. Reaching vulnerable groups could prove difficult. Experience shows that putting new interventions or drugs in place was always more expensive than anticipated. Additional challenges were noted on: collaboration; the importance of national and sub-national data in monitoring progress, especially in high burden countries and large federal states; the importance of CCMs, which need to take a stronger role with regard to HSS, and collaborate closely with the health sector; and the CCMs needing both short- and long-term support to ensure their own sustainability.

119. New Funding Model processes. Constituencies noted complexities, including incentive funding and UQD, and the associated sustainability issues, in particular for small vulnerable states. The more complex a system is, the more difficult it is for it to be sustainable, with subsequent fundamental policy challenges. It was suggested that the Global Fund increase its engagement with the World Bank and other partners on managing the fiscal challenges with the three diseases and the health sector more broadly. Constituencies recognized that the TRP’s evaluation of the funding model demonstrated potential refinements to reduce complexity, noting the policy implications of the suggested changes. For example, the MRL was protecting countries which had received higher levels of funding in the past than levels of funding derived from the allocation formula. To address this, it was proposed that under-allocated components (i.e., components with funding levels below their formula-derived amounts) in country band 1 (i.e., higher burden, lower income) should receive additional funding, potentially via the UQD mechanism. In addition, shortened grants in specific countries should be addressed in a financially sound manner. This could allow an increase in annual disbursements, but would need to be addressed in a financially sound manner. There was a call for adjustment to and simplification of the allocation methodology in the future to allow the Secretariat increased flexibility to take strategic decisions. The methodology should apply to all country bands in the same way, respecting established levels of investments, but not protecting past funding above formula-based shares.

120. Technical partners. One constituency commented that partners had been delivering technical assistance for many years in a cycle of evaluation, provision of assistance, and departure.

This emphasized the need for change to ensure that technical assistance was delivered to bring sustainable results, with the goal that countries would no longer need technical assistance for concept note development within five years. Several constituencies noted the role of technical partners in providing expertise in countries to ensure that civil society and communities receive support to include key activities on gender and human rights issues in concept notes, as further work is needed to ensure that these recommendations were implemented. Broader concerns were raised around technical collaboration with WHO and UNAIDS and how best to achieve results.

121. Investment/analytical frameworks. Several queried whether maximum use was being made of available WHO analyses and the UNAIDS investment framework. Results for countries undergoing review could be made available to the TRP to ensure maximum alignment of core interventions to respond to the epidemiology in a more focused way. Finally, more analysis of the disease component in concept notes would enable the Global Fund to evaluate its strategic investment approach to maximize impact.

122. Domestic financing/sustainability. The importance of monitoring domestic funding commitments was noted. Firstly, because NFM grants are very dependent on co-funding from domestic sources, any failure in fulfilling commitments for domestic spending could significantly damage grant sustainability. Secondly, increasing domestic funding was critical to countries in transition away from Global Fund support, as this would be essential to the sustainability of programs in the future. Other issues relating to sustainability included the time needed for capacity building; strengthening systems and procedures; and sustainability partnerships and collaboration to support those most in need. Constituencies also encouraged collaboration between the Secretariat, partners and countries to develop exit strategies, which should focus on assuring continuing support and inclusion of key populations as needed, as well as attention to issues of human rights, gender and the role of civil society and communities. One constituency commented that total available resources would not be sufficient to reach the critical mass required to bring about an end to the HIV pandemic, citing the example of Nigeria. The estimated number of people needing to be on treatment by 2027 was 1.98 million, while total resources available would allow treatment of only 0.98 million. Full expression of demand was deemed vital to identifying critical gaps and facilitating more strategic deployment of total resources, whether from the Global Fund, other donors or domestic financing. Such gap analysis could also help generate increased domestic financing. This has an immediate positive impact in the country and can also be used as a tool during the next Global Fund replenishment campaign.

123. Incentive funding. Some constituencies commented that feedback from CCMs supported the process as a means to express full demand. Further comments supported this view, observing that incentive funding was one of the few options to be able to deal with increasing numbers of infections. On the other hand, some felt that the notion of full expression of demand and the incentive funding process were not achieving the expected results in certain contexts, and were creating unrealistic expectations as well as additional work for countries.

124. Communication. Several constituencies noted that communication of unambiguous information to countries was important, with clear guidance on the opportunities, and the available technical support on how to use them. One constituency emphasized that discussions and efforts with respect to privileges and immunities should not delay grant signing or delivery of services to those living with the three diseases.

125. Data. The importance of good data was stressed. One constituency requested more information on those countries receiving Global Fund support in addition to their national budget for strengthening data systems, in order to assess the improvements enabled by the additional funding.

126. **SIIC response.** In response to the extensive comments from constituencies, the Chair of the SIIC reiterated the SIIC's appreciation of input and advice on important strategic investment and impact considerations, and confirmed that the SIIC would continue to look at challenges and

lessons learned from the implementation of the new funding model both by the Secretariat, constituencies and the TRP. He also informed the Board that feedback from the Development Continuum Working Group would be presented to the Board at its next meeting in March 2015.

127. **Secretariat response.** Mark Edington summarized the different points raised by constituencies. He noted the repeated reference to the complexity of the NFM, and confirmed that the Secretariat would monitor this, assuring the Board that striving for simplicity was a continuing objective, but not without its challenges. He acknowledged the multiple comments related to HSS, gender and human rights, and the particular importance of issues of adolescent girls, engagement of communities and key populations, and sustainability of responses to the three diseases. He also noted the varying opinions among countries related to incentive funding. Regarding the need for improvements in the country dialogue process, Mr Edington confirmed that the next challenge would be to ensure that activities identified during this process would be adequately funded in the budgets. He reminded the Board that to date there had been relatively few grants reaching grant-making stage, which was where many of the TRP's comments would be taken into account. Mr Edington's final remarks noted that based on the first 20 country components undergoing grant-making, more than USD 100 million of efficiencies had been identified by following the guidance of the TRP. He emphasized the need to engage the right people, obtain the right data at a country level, and make tough investment decisions, using the UNAIDS investment framework and other tools in deciding which interventions would bring about the greatest impact in the fight against the three diseases.

128. **TRP response.** The TRP Chair responded to concerns regarding insufficient focus on CSS and agreed that the TRP would place more attention on this in the future. She clarified that the TRP was comprised of a mixture of experts who worked with partners and the Secretariat to develop frameworks to improve assessment of concept notes. Finally, in terms of the strategic investments in the diseases, Dr Blok confirmed that when evaluating concept notes, the TRP looks at the investment cases, and evaluates whether the proposed interventions are in line with national strategic plans. Prioritization of interventions for highest impact is also considered when evaluating concept notes, and the TRP requests iterations and re-submission, if necessary. In response to many comments about the complexity of the current allocation model, she confirmed that the TRP would recommend a simpler methodology. This will allow for more focus on improved implementation, which, in turn, would show better results and likely generate more resources.

Agenda Item 11: TERG Independent Evaluation of the Strategy (Board Information)

129. In a session led by the Board Chair, Mickey Chopra, Chair of the Technical Evaluation Reference Group ("TERG") presented a short summary of the preparatory work for the TERG's 2015 Strategic Review, the results of which will be presented to the Board at the end of 2015. The details of the update can be referred to in document GF/B32/11.²¹ This Review, and its interim reports, will be a key input to the development of the 2017-2021 Global Fund Strategy. Additional inputs will include the findings of specific reviews commissioned, including on human rights, fragile states and RMNCH integration, as well as mapping exercises conducted in collaboration with the Secretariat and the OIG. He informed the Board that the two main objectives of the Strategic Review were to assess the progress made against the current (2012-2016) Strategy, and to evaluate the impact of Global Fund investments since its inception.

130. Dr Chopra informed the Board that the TERG was aware of the tight timeline in order to feed the results of the Strategic Review into the Strategy development process in time for the next

²¹ GF/B32/11: 2015 Strategic Review Update

replenishment. He confirmed that the content and the Strategic Review process would be managed by the TERG itself, thus assuring the independence and relevance of the process.

131. **Board discussion. Human rights.** Constituencies expressed appreciation for the fact that the Strategic Review would include questions regarding the human rights agenda in Global Fund-supported programs, but queried how the impact of this would be measured. It was noted that the KPI on human rights (KPI 12) had been agreed upon only recently,²² leading to concern that the Strategic Review would not yet yield accurate information or meaningfully capture the work thus far achieved. Dr Chopra responded that the TERG intended to gather data on all aspects of this issue, including impact, inclusiveness in country dialogue and concept notes, as well as expenditure and budget aspects. However, recognizing its importance, he proposed that the TERG would reexamine this at its next meeting to see if a separate, independent review might be useful. He invited questions from constituencies for inclusion in such a review.

132. **Incentive funding.** One constituency noted that there was a clear need for more evidence around the incentive funding process and the practical impact this is having on countries. In response, Dr Chopra informed the Board that questions on incentive funding were included in the Strategic Review, but that the TERG would also be looking at data from surveys and other reports, as well as working with the TRP. Results from these different sources of information would be triangulated to obtain concrete data on impact and success.

133. Another constituency requested the TERG to include a focus on CSS, gender and key populations from the perspective of access to resources and expertise. Dr Chopra responded that, as Chair of the TERG, he was an *ex officio* member of the SIIC, allowing TERG feedback to be provided to the committee. It was concluded that, rather than detailing process issues in the NFM, it was important to focus on three to four key changes for the new Strategy, such as HSS, transition issues, and maximizing impact.

Agenda Item 12: Privileges and Immunities of the Global Fund (Board Decision)

134. In a session chaired by the Board Chair, Jason Lawrence, Vice-Chair of the FOPC, first communicated the intent of the decision point presented to the Board, emphasizing the objectives of mobilizing action at Board level, raising awareness, and accelerating the work already under way in pursuit privileges and immunities for the Global Fund.²³ Mr Lawrence underlined the need for privileges and immunities to enable effective in-country financial management, facilitate appropriate security for Global Fund staff in the exercise of their duties, and avoid significant loss of resources to in-country taxation. The AEC Chair, Graham Joscelyne, commented on the responsibility to enable OIG staff to operate in country with adequate protection, in order to fulfil the duty of providing assurance to the Board as to the effective use of Global Fund resources.

135. Gulen Newton, Legal Counsel, made a presentation focusing on the risks emanating from the absence of privileges and immunities in the jurisdictions in which the Global Fund finances programs. Summarizing the elements set forth in document GF/B32/19,²⁴ Ms Newton noted the risk to the organization's ability to protect and maximize the impact of Global Fund resources. She noted that upon the tenth instrument of ratification, acceptance or approval, the Board-endorsed Agreement on Privileges and Immunities ("P&I Agreement"), which is signed by states, comes into force. To date, eight countries have signed the P&I Agreement. Concluding the presentation, Ms Newton indicated that the new Framework Agreement, which the Global Fund will sign with host countries for all new grants under the new funding model, includes an

²² The 2015 target for KPI 12 will be submitted to the Board for approval at the Thirty-Third Board Meeting.

²³ Following previous Board decisions in 2009 and 2010: GF/B20/EDP04 and GF/B22/DP21.

²⁴ GF/B32/19: Privileges and Immunities of the Global Fund

obligation on the part of host country grantees to take all necessary and appropriate action to ensure privileges and immunities are granted to the Global Fund within three years.

136. **Board discussion.** Constituencies commented on the sensitivities involved in negotiating privileges and immunities, and the complex procedural and legislative steps required to grant privileges and immunities within each country's individual political and legal context. Of particular note, constituencies underlined the need for dialogue between Ministries of Health, Finance and Foreign Affairs, and for the continued engagement of United Nations Permanent Representatives. Constituencies emphasized the particular challenges in countries experiencing conflict, war or other instability, and sought guidance as to how to pursue discussion of privileges and immunities in such contexts. Finally, one constituency emphasized the need to provide staff training in order to ensure full understanding of the importance of privileges and immunities, and to avoid abuse.

137. European Commission. In the context of this discussion, the European Commission constituency informed the Board of a process currently under way whereby, through assimilating the Global Fund into the status of international organization, the European Commission will be able to contract directly with the Global Fund. The constituency encouraged others to take similar measures in pursuit of increasing effectiveness and efficiency.

138. Framework agreement. A number of constituencies asked whether the terms of the Framework Agreement in relation to the granting of privileges and immunities were equally applicable in the context of countries which are transitioning out of Global Fund support. Noting the forward-looking nature of the Framework Agreement, Ms Newton indicated that the contractual arrangement for such countries would be different to recognize the country's specific circumstances with respect to future transition and eligibility.

139. The Communities constituency called for analysis of the factors that currently hinder countries' granting of privileges and immunities to the Global Fund, invited the Secretariat to develop a clear operational framework to guide countries in the granting of privileges and immunities, and finally, emphasized that failure to grant privileges and immunities within the three year period should not be deemed justification to suspend or delay programs providing essential services to affected populations.

140. **Secretariat response.** Ms Newton underlined the intent of the decision as being to renew engagement in pursuit of privileges and immunities. She explained there were no provisions that would automatically end funding or programs if a country does not grant privileges and immunities within the three-year period set out in the Framework Agreement. The intent is to strengthen the ongoing engagement with countries on privileges and immunities. However, if a country is unable to grant privileges and immunities within the three-year period, the Secretariat will review the underlying obstacles and determine appropriate next steps.

141. **Decision.** The Board expressed support for development of a dedicated strategy, resources, and advocacy in support of the acquisition of privileges and immunities, as well as oversight by the AEC and FOPC of progress, and approved Decision Point GF/B32/DPO6.

Agenda Item 13: Strategy Development Matters (Board Information and Board Decision)

Strategy Development

142. The Chair of the Board introduced the agenda item. The Board had received an update on the Strategy development process as laid out in document GF/B32/21.²⁵ The Vice-Chair of the

²⁵ GF/B32/21: Update on Strategy Development

SIIC, Anita Asiiimwe, opened the session by summarizing the discussion regarding the development of the new Strategy that had taken place at the Retreat earlier that week. She reminded constituencies that while the SIIC would continue to take the lead, the development of the next Strategy would be an inclusive process, and would include inputs from regional consultations of the partnership forum, consultations with technical partners, the Development Continuum Working Group, the Equitable Access Initiative, the TERG's Strategic Review 2015, and lessons learned from the implementation of the funding model. She outlined the timeline for the Strategy development process, noting that Board approval of the next Strategy was anticipated for early 2016, in order to inform the next replenishment, with the Fifth Replenishment conference planned for mid-2016.

143. Key areas for attention in development of the new Strategy identified for focus at the Board Retreat included the changing health and development landscape, development of a differentiated approach to countries in transition, support for key populations and attention to human rights, definition and approaches to work in challenging operating environments, sustainable development and domestic financing for health, HSS, partnership development, the evolving role of CCMs, and the identification of the most appropriate investment model to achieve greatest impact.

144. Dr Asiiimwe closed her presentation by reminding the Board that in addition to being an inclusive exercise, the development of the new Strategy would need to aim to achieve maximum impact from a limited funding envelope.

145. **Board discussion.** Constituencies expressed strong support for the process, in particular the plans for early, transparent and widespread consultation. The Private Sector constituency noted its willingness to engage with the diverse variety of companies represented within the constituency to gather input for the process.

146. Data and impact. Several constituencies emphasized the need for good data and analysis of critical inputs to inform the discussions, with one proposing a meeting with partners early in 2015 to focus on strategic choices for impact and what could realistically be achieved over the next five years.

147. Ownership. Another area of consensus was the importance of nurturing broad ownership of the Strategy, as well as the need to strengthen political will and action around the need to increase domestic financing, sustaining the investments and gains achieved to date, and examining transition and eligibility issues beyond simple definitions of country wealth.

148. Equity. It was noted that the changing global political, economic and health landscape was in some cases contributing to the increase in inequities in middle-income countries. Furthermore, it was noted that countries with weak national capacity were being left behind. The role of civil society in delivering essential services to key populations in countries was considered of key importance in many countries. At the same time, constituencies noted the need for the Global Fund to maintain its support, balancing investment towards low income countries with higher disease burden, countries experiencing eligibility issues due to changes in economic status, and countries where reaching key populations remains challenging. The Equitable Access Initiative was welcomed as one means of addressing these issues.

149. Cross-cutting issues. Constituencies noted the need for a clear framework on critical cross-cutting issues, human rights, particularly with regard to key populations, and gender-related matters. More than one constituency reiterated the belief that the mandate of the Global Fund should remain with the three diseases.

150. Health Systems Strengthening. Emphasis was placed on greater investment in HSS and CSS. Enhancing cost effectiveness and maximizing multiple health gains through innovative partnerships represented essential areas, as did strengthening the role of CCMs.

151. The Vice-Chair of the SIIC then thanked the constituencies for their useful suggestions on the development of the next Strategy and noted that these would be taken on board.

The Global Fund and Hepatitis C Treatment

152. Harley Feldbaum, Head, Strategy and Policy, provided the Board with some background on Hepatitis C treatment and the Global Fund presented in document GF/B32/22.²⁶ He noted that the Global Fund had in the past supported Hepatitis C screening, testing, and treatment in a select number of countries, but this had been without a broad policy framework. Recent developments in the treatment of Hepatitis C and a number of requests from countries to fund Hepatitis C treatment had led to a discussion at the 13th SIIC Meeting in October 2014. The Vice-Chair of the SIIC presented the decision point to the Board, recommending, as an interim measure, continued funding for Hepatitis C treatment within existing grants where the Global Fund was already funding such treatment,²⁷ pending broader discussion to determine the organization's role and position with regard to funding for other co-infections and co-morbidities linked to the three diseases. The Vice-Chair of the SIIC presented the decision point to the Board, informing the Board of a friendly amendment which had been agreed by the SIIC.

153. **Board discussion.** The floor was opened for comments. Mr Paul Schaper, Board Member for the Private Sector Constituency, recused himself from the discussion to avoid any perception of a conflict of interest. The Private Sector was represented by the Alternate Board Member, Ms Renuka Gadde.

154. Interim approach/further analysis needed. Constituencies expressed their support for the interim approach. They also supported further analysis on the feasibility of funding treatments of co-infections and co-morbidities of the three diseases. This needs to include consultation, collaboration with partners on potential options, analysis on funding and evidence. While agreeing with the proposed amended decision, Germany noted that recommendations resulting from committee discussions should not be changed at the last minute, even by friendly amendments.

155. Co-morbidities/co-infections. A number of constituencies noted that providing support to Hepatitis C treatment was sensible from both a moral and a logical perspective. While antiretroviral therapy is reducing the risk of death from HIV-associated opportunistic infections, Hepatitis C-related liver disease was overtaking other AIDS-related illnesses as a leading cause of death. In this light, the LAC constituency reminded the Board that consideration of funding for Hepatitis C co-infection also provided an opportunity to make an impact and deliver on human rights commitments in line with the current Global Fund Strategy. Other constituencies remarked that in order to define the Global Fund's role with regard to other co-infections and co-morbidities, the SIIC should work with partners, especially WHO, to obtain a holistic picture of all three diseases. Further, the Global Fund's possible role around Hepatitis C should not impact on the organization's ability to fight the three diseases.

156. Pricing. Global Fund investments in programs supporting treatment and prevention for Hepatitis C in people living with HIV have also had a significant impact on mobilizing civil society engagement and stimulating price reductions. The synergy between expanded treatment access, equity and increasing value for money is very strongly aligned with the Global Fund's current Strategy. Responding to a constituency's query regarding costs of Hepatitis C treatment relative to the cost of HIV treatment, the WHO representative informed the Board that major cost reductions were being achieved in many parts of the world. He emphasized the urgent Hepatitis C treatment need which needs to be addressed immediately, while recognizing that analysis of the broader picture of co-infections and co-morbidities is also required. The WHO representative indicated that WHO had already commenced an analysis of the relative global burden of major

²⁶ GF/B32/22: The Global Fund and Hepatitis C Treatment

²⁷ GF/SIIC13/DPO6: Interim Measure on Hepatitis C Treatment

co-infections and co-morbidities. One constituency requested more information on the flexibilities available for budget re-allocation in transitioning countries dealing with co-infections, especially HIV and Hepatitis C, in the event funding was not sufficient even with the new lower cost treatments. Finally, constituencies noted the need for a broad, well-coordinated and global strategy which will address not just funding or non-funding of treatment, but prevention and price reduction dimensions.

157. **Decision.** Following the discussions and consideration of the decision point as amended, the Board approved the approach for Global Fund Financing of Hepatitis C Treatment. (GF/B32/DPO7)

Market Dynamics Oversight

158. David Stevenson, Chair of the SIIC, provided a short summary of the development of market shaping at the Global Fund, reminding the Board that the current Market Shaping Strategy had been approved by the Board in May 2011. Later that year, in November, the Market Dynamics Committee was replaced by the Market Dynamics Advisory Group (“MDAG”), which reported to the SIIC.

159. The Chair of the SIIC informed the Board of the committee’s decision to dissolve the MDAG,²⁸ a decision based in part on the results of a review conducted by the OIG. Having reviewed the structure and functions of the MDAG, the SIIC had determined that it was not fulfilling its intended role as an advisory body to the Global Fund on market dynamics and market shaping matters. Mr Stevenson presented the SIIC’s recommendation to implement an alternative oversight mechanism with responsibility shared jointly between the SIIC and the FOPC as set forth in document GF/B32/23.²⁹

160. Mr Stevenson explained that both the SIIC and the FOPC had been closely involved in the development of the proposal and emphasized that the decision would allow the SIIC to guide and oversee the development and updating of strategic policies such as the Market Shaping Strategy, and for the FOPC to oversee implementation of strategic policies including the financial and operational aspects of sourcing and procurement initiatives. Finally, the Vice-Chair of the FOPC informed the Board that focal points had been identified in both committees.

161. E-marketplace initiative. The CFO, Daniel Camus, informed the Board of the resource needs for the e-marketplace initiative, one of the innovative mechanisms planned by the Secretariat in relation to market shaping. Mr Camus informed the Board that at present, no Global Fund resources had been committed for this initiative, which was still at an early stage focusing on feasibility, scope and the potential operating framework. He confirmed that following completion of the feasibility study and design phase of the initiative, a business case would be developed and presented to the relevant committees for review.

162. **Board discussion.** Several constituencies expressed their appreciation for strong cooperation between the SIIC and the FOPC in bringing the joint market shaping recommendation to the Board. Observing the importance of procurement issues at the Global Fund, some constituencies requested more information in relation to the ongoing work on the e-marketplace initiative, as well as timely sharing of the business plan outlining the issues and the approach being proposed. Others were concerned about transparency issues regarding the external support being funded by the Gates Foundation (on the e-marketplace) and requested that terms of reference for that support be presented to the committees.

163. Technical expertise. In subsequent discussion, comments recognized the improvements in the relationship between the Global Fund and UNITAID, and the efforts to increase value for

²⁸ GF/SIIC12/DPO3 – Recommendation on Market Dynamics

²⁹ GF/B32/23: The Global Fund and Market Shaping – current status and way forward

money and bring about healthy markets for HIV, TB and malaria products. Constituencies noted the potential of the e-marketplace initiative for long-term impact on health product procurement, and stressed the need for the Board to have visibility on potential positive and negative implications. One area of concern was the continued evolution of product development and the need to ensure use of the right products in the most appropriate way for all three diseases. There was a call for a clear outline and plan for consultation with the specific partners that will provide input to the Market Shaping Strategy to be provided to the SIIC to ensure a collaborative and synergized approach.

164. MDAG. Final comments from constituencies included acknowledgement of the contributions made to market shaping work in the past by the members of the MDAG, and the realization that this was a very complex, technical area which would require technical expertise and input from a diverse range of partners to ensure a successful outcome.

165. **SIIC response**. The Chair of the SIIC made closing remarks noting that the proposed joint oversight by SIIC and FOPC of market shaping issues was intended to allow for increased involvement by the committees and the Secretariat under a defined framework to bring about improved and more dynamic engagement. He welcomed the proposal for an update to the SIIC and the FOPC in early 2015 on the e-marketplace initiative. In concluding, he drew the Board's attention to the content of the friendly amendments to the decision point: the first relating to the timeline for the revisions to the market shaping strategy, for presentation to the Board at its meeting in November 2015, and the second concerning reporting procedures and mechanisms to be put in place and communicated to the FOPC and the SIIC by the end of 2014.

166. **Decision**. Following the discussions and consideration of the decision point as amended, the Board approved the approach for Market Dynamics Oversight. (Decision Point GF/B32/DP08)

Agenda Item 14: Ethics and Integrity Initiative (Board Decision)

167. The Vice-Chair of the Board, Ambassador Mireille Guigaz, introduced the agenda item, recalling the vision communicated by the Board leadership at the beginning of their tenure, and the Board's support for the development of an Ethics and Integrity Framework for the Global Fund, expressed at the Thirty-First Board Meeting. Ambassador Guigaz emphasized the importance of the initiative to provide assurance to stakeholders that the Global Fund is operating ethically at all levels.

168. Claude Rubinowicz, Chair of the Ethics Steering Committee ("ESC") and Vice-Chair of the AEC, opened the session by thanking the participants of the Board Retreat, confirming that their inputs had resulted in the revised version of the documents and decision point presented. He summarized the outcomes of the Retreat, identifying general support for a comprehensive Ethics and Integrity Framework (the "Framework"), and recognition of the need for a dedicated ethics function and a Code of Ethical Conduct for Governance Officials. He acknowledged that further consultation was needed regarding interpretation of "working in the best interest of the Global Fund" and how best to manage conflicts of interest, as well as the form and staffing for a dedicated ethics function. The presentation outlined the proposals recommended to the Board for approval, set forth in document GF/B32/18 Revision 1,³⁰ namely the approval of an Ethics and Integrity Framework and the creation of a dedicated Ethics function responsible for embedding ethics into the operations of the Global Fund and for providing the necessary assurance to the Board. Finally, he outlined the principles for a Code of Ethical Conduct for Governance Officials, due to be further developed in the second phase of the initiative.

³⁰ GF/B32/18 Revision 1: Ethics and Integrity Initiative

169. **Board discussion and ESC response.** Several constituencies expressed their support for the Ethics and Integrity initiative and for the full integration of the ethical principles across the Global Fund, welcomed the changes to the proposals based on the outcomes of the Board Retreat, and supported the commitment to training and ongoing competency building on ethics matters for all stakeholders.

170. Ethics function. Questions were raised regarding the size of the proposed Ethics function and the seniority of the position of Ethics Officer. The Board called on the ESC to develop and refine these details further in stage two of the initiative, so as to ensure staffing provision is fit-for-purpose. Several constituencies emphasized the importance of the independence of the ethics function, and of the need to ensure management of ethics matters at the appropriate level. One constituency requested submission of a proposal outlining a set of options for the size, structure and reporting line for the function. A further query sought clarification as to the AEC's role in the recruitment of the Ethics Officer. Constituencies called for information illustrating the differentiation of responsibility with regard to ethics matters between the OIG, the Risk Management Department and the new ethics function.

171. The AEC Vice-Chair clarified the need for the Ethics Officer to have appropriate seniority given the necessary interaction with senior management, the Board and external stakeholders. He advised that the question as to the appropriate reporting line would be readdressed in the next phase, and reminded the Board that the current Ethics Official reported substantively to the AEC, while being organizationally responsible and accountable to the Executive Director. Finally, he commented that while the AEC would provide oversight and input with respect to the recruitment of the incoming Ethics Officer, the final process was yet to be defined and would depend on outcomes from the second stage of the initiative.

172. Best interest of the Global Fund. Widespread support was expressed for the upcoming consultation process, with constituencies expressing interest in focusing on the concepts of duty of care and conflict of interest, and their meaning and appropriate application within the Global Fund context. Several felt that these concepts should not hinder open discussion, nor should they call into question the integrity of any party in the event of a difference of interpretation of the "best interest of the Global Fund". The Vice-Chair of the AEC clarified that the definitions of duty of care and conflict of interest in the Global Fund context would be tested and informed by the planned consultation process.

173. Core values. Constituencies welcomed the introduction of the core value of "Dignity and Respect" with one constituency suggesting that these be linked to the five minimum human rights standards.

174. Transitional Governance Committee. Constituencies noted the link between the Ethics and Integrity initiative and the work of the TGC, calling on the ESC and AEC to consult regularly and closely with the incoming TGC as the initiative progresses. In addition, the Private Sector constituency recommended drawing on extensive private sector expertise in the field of ethics to enrich this work stream.

175. Code of Ethical Conduct. Two constituencies called for clarification of the requirement within the draft Code of Ethical Conduct for Governance Officials whereby constituency issues be raised only through the appropriate governance channels, noting the need to define "appropriate channels", and the potential to limit productive constituency engagement with key areas of the Secretariat and the OIG. The Chair of the ESC noted that such matters would be considered in phase two of the initiative.

176. **Decision.** The Board approved the Ethics and Integrity Framework and proposal to create a dedicated ethics function. (GF/B32/DPO9)

Agenda Item 15: Corporate KPIs (Board Decision)

177. In a session chaired by the Vice-Chair of the Board, the CFO, Daniel Camus, presented the Corporate KPI Framework 2014-2016 to the Board for approval, as laid out in documents GF/B32/24a Revision 1 and GF/B32/24b,³¹ informing the Board that the proposed measurements and targets for the 16 approved KPIs for the 2014-2016 period had been reviewed by the FOPC and the SIIC.

178. Soltan Mammadov, Chair of the FOPC, then took the floor, reiterating the importance the FOPC placed on the KPI framework as a tool enabling evaluation of the performance of the Global Fund. He confirmed that the Secretariat had involved the FOPC in the process of developing the KPI framework through regular reporting to the committee, and discussion of performance targets and baselines. Graham Joscelyne, Chair of the AEC, added that the AEC was also responsible for overseeing the OIG's internal audit of the Corporate KPIs, planned for 2015, and noted that the outcomes of this review would be reported to the Board in line with the OIG Stakeholder Engagement Model.

179. **Board discussion.** The Vice-Chair of the Board expressed her satisfaction with the progress achieved, encouraged the Board to approve the Corporate KPIs as presented and opened the floor for comments and questions. In the discussion that followed, constituencies acknowledged the progress made, although several noted the late development of the Corporate KPI framework for the current Strategy, and the need to ensure that this work be fully integrated into the Strategy development process in the future.

180. Human rights protection (KPI 12). In particular, concern was raised that delays in the development of the measurement for KPI 12 (Human Rights Protection) meant that the performance target would not be approved until March 2015, more than three years after the current Strategy had been adopted. However, while improvements can always be made, it was generally agreed that final approval was important in order to allow regular reporting by the Secretariat to the Board and for accountability. Clarity was requested on the extent to which partner and committee involvement was expected in further KPI development, with one constituency proposing closer collaboration between the Secretariat and the Human Rights Reference Group and partners in the development and implementation of an effective measure for KPI 12, as well as comprehensive reporting on progress in this area.

181. One constituency expressed concern that although KPI 12 would capture the percentage of human rights complaints against Global Fund supported programs which are resolved, it would not capture the more operational aspects of human rights programming or elimination of legal barriers. As a result, an assessment of approved grants to evaluate their focus on human rights and gender-related principles and practices would be welcomed. Another constituency remarked that further development of the KPI on human rights was crucial, in particular allowing measurement of the impact of investment in human rights programming, as well as to include more consideration of gender issues.

182. Service delivery targets (KPI 3). Others expressed approval that KPI targets for KPI 3 (Performance against strategic service delivery targets) had been revised to allow for modest scale-up, while noting that treatment initiation for tuberculosis was not keeping pace with diagnosis, leading to a widening gap. Further to this, one constituency remarked that the KPI cumulative target for multi-drug resistant tuberculosis ("MDR-TB") treatments over five years would only reach 25% of known MDR-TB patients through Global Fund-supported programs. In this context, countries should be encouraged to submit ambitious program requests. Other comments in relation to targets for KPI 3 included one request for clarification on the revision to the final TB target for KPI 3, and another on whether the 2012-2016 target for people on ARV

³¹ GF/B32/24a: Corporate KPIs Narrative; GF/B32/24b: Corporate KPIs Pre-Read Slide Deck.

was a national target including investment in HIV from all partners in a country, or from the Global Fund only.

183. 2014 results. Appreciation was voiced for the projected end-2014 results for 10 of the indicators, with one constituency noting that the Global Fund seemed to be back on track, but confirmation of this through the full 2014 report at the March 2015 Board Meeting would be welcomed. It was also noted that a thorough and informative report on KPIs for 2015, in complement to the 2014 report, would allow a substantial Board discussion and appropriate attention to balance between cost and resources.

184. Gaps and weaknesses. Some constituencies remarked that, although progress had been made, significant gaps and weaknesses in the framework remained, such as the target for KPI 2 (quality and coverage of services), given growing Artemisinin resistance, the exclusive focus on cost within the value-for-money KPI (KPI 10), and the insufficient number of data points to measure HSS (KPI 5). It was hoped that there would be fewer, stronger, and more measurable indicators developed for the next Strategy in March 2016.

185. Targets and data. With regard to targets, one constituency observed that achieving 90% coverage for HIV-positive pregnant women (KPI 2) would not, in itself, ensure equal access to ART to the many women in need. It was emphasized that both Global Fund- and PEPFAR-supported activity needed to continue development of programmatic efficiencies at country level. Other comments focused on the need to provide training for CCMs which would be responsible for monitoring and data management in-country, as well as the important question of attribution/contribution in reporting results. One constituency commented that further work was needed with partners to establish credible disease impact models to track the progress of collective investments. In addition, more comprehensive support to countries was required to strengthen national health information systems as these would be the tool to provide credible information on coverage of services which would guide future investments.

186. **Decision.** Closing the session, Amb. Guigaz thanked the Board and the committees for their involvement and contributions throughout the development of the KPIs. The Board approved the Global Fund Corporate KPI Framework 2014-2016. (Decision Point GF/B32/DP10)

Agenda Item 16: Risk Management Report, Risk Management Policy and Risk Differentiation (Board Information and Board Decisions)

187. The Chair of the FOPC introduced the agenda item, chaired by the Vice-Chair of the Board. He noted the collaborative approach to oversight of the cross-cutting issue of risk management across the three committees, and emphasizing the close discussions between the AEC and the FOPC in preparation for recommendation of the Risk Management Policy and the proposed approach to risk differentiation, presented for decision.³²

Report on Risk Management

188. Mr Klumper introduced the first in a series of regular semi-annual reports to the Board on risk management matters, as set forth in document GF/B32/12. He noted that the Report was structured around the four Board oversight responsibilities according to best practice guidance relating to risk management oversight, and reflected the assertions of management, and the CRO's opinions as to those assertions. The presentation assessed whether the Secretariat had established an effective approach to risk management. Overall, the CRO asserted that risk management at the Global Fund could be considered adequate, with improvements needed in

³² GF/B32/12: Report on Risk Management; GF/B32/13: Risk Management Policy; GF/B32/14: Approach to Risk Differentiation

the domains of organizational culture and management accountability, assurance over grants, and differentiation in grant management.

189. Providing a view on the overall portfolio of risk, the CRO presented the seventh edition of the Organizational Risk Register, produced quarterly. He noted that the Register focused primarily on operational risk. Of particular note, the Portfolio Risk Index (“PRI”) that is, the overall value for the level of risk across the grant portfolio, has declined from 2.01 to 1.86 in the past year. The CRO noted an important current objective related to risk management was the maintenance of a stable PRI value. With respect to risks not related to grants, he indicated that the risk level was acceptable, with particular improvements in risk management relating to financial controls.

Risk Management Policy

190. The CRO presented a Risk Management Policy (“Policy”) for Board decision, set forth in document GF/B32/13, indicating that the Policy would replace the now outdated Risk Management Framework approved by the Board in 2009. Mr Klumper noted that the Policy had been developed in the course of rich discussions with the Management Executive Committee, the AEC and FOPC, with inputs from the SIIC, and focused on high-level principles. He noted that the accompanying Enterprise Risk Management Framework served to contextualize the Policy, providing broader context and explaining the multiple interrelated tools used to operationalize the Policy. The FOPC Chair expressed support for this approach, which allows the Secretariat the flexibility to revise details relating to the operationalization of the Policy. Mr Klumper indicated that the approval of the Policy would not result in significant change in Global Fund risk management practices. Rather, the Policy served to formalize the risk management principles and practices that have for the most part already been implemented.

Approach to Risk Differentiation

191. Turning to the proposed approach to risk differentiation presented in document GF/B32/14, the CRO presented the key principles, methodology and processes for generating and applying risk differentiation in Global Fund grant management, which had been reviewed by the three committees and was recommended to the Board by the FOPC.

192. Describing the intent of the methodology, the CRO explained that the risk differentiation approach would serve to guide the Global Fund in determining appropriate mitigation measures and assessments within differing and often challenging risk environments, as well as to inform the Secretariat’s internal processes and allow differentiated expenditure on risk mitigation efforts. The CRO noted that the PRI was subject to an already-approved target range as defined in the Corporate KPI relating to effective operational risk management.³³ As such, overall risk across the portfolio would be managed to stay within 10 percent of its present value, as measured by the PRI. Finally, he indicated that assessment of risk in Secretariat processes continued to be measured in compliance with the COSO Framework,³⁴ the internal control and risk management standard applied by the Global Fund.

193. **Board discussion.** Constituencies expressed support for the report on risk management, the Policy and the proposed approach to risk differentiation. There was appreciation for the enhanced focus on risk and assurance matters in the context of the organization’s zero tolerance to fraud approach, and a call for increased focus on risks relating to human rights and gender. One constituency referred to the QUART assessment process,³⁵ considered inadequate in the identification and mitigation of risk relating to human rights, with no linkage to the obligations of the PRs as set forth in the grant agreement. In addition, it was noted that risk of treatment

³³ Corporate KPI Framework approved by the Board in November 2013. GF/B30/DP07.

³⁴ Committee of Sponsoring Organizations of the Treadway Commission: www.coso.org.

³⁵ QUART: Qualitative Risk Assessment, Action Planning and Tracking

disruption remained high. In light of these comments, both donors and implementers emphasized the need to balance mitigation of fiduciary risk with the effective delivery of the organization's mission.

194. Risk Management Report. Constituency comments noted the need for increased detail and focus on the risks relating to program implementation in country. There was emphasis on the need for independent validation of the effectiveness of the Secretariat's management of risk, and one constituency called for more time on future agendas for discussion of risk management. Constituency comments alerted the Secretariat to improve identification of risks, noting risk areas not currently included on the Organizational Risk Register, and citing the earlier discussions regarding treatment of hepatitis C as an example of the risk of mission creep. Finally, concern was expressed regarding the need for continuous assessment of fragile countries subject to additional safeguards.

195. Understanding of risk management. Further comments from constituencies noted the differing perception and understanding of risk between the Secretariat and in-country implementers, and the challenges inherent in risk management in country. There was a call to develop broader common understanding of the field of risk management among all actors, with the objective of achieving increased ownership of risk management and increased programmatic impact. One constituency requested more explicit definition of the responsibilities of in-country partners and assurance providers, including the LFA, and notably the CCM, with emphasis placed on the technical and governance weaknesses witnessed in the CCM model globally.

196. Risk differentiation. A number of constituencies expressed support for the approach, supporting a move towards less stringent risk control processes in countries where contextual and portfolio risk levels are below the lower risk threshold ranges, in order to focus resources on high risk, high disease burden countries.

197. **Secretariat response**. In response to Board comments, the CRO first drew the Board's attention to the provision within the Risk Management Policy that calls for all risk mitigation measures and decisions to be balanced with the need for effective delivery of the Global Fund's mission. He reminded the Board that the OIG would provide an overall assurance statement in early 2015. Furthermore, he indicated that revisions to the QUART assessment process were under way in collaboration with the Secretariat's Community Rights and Gender Department. Responding to the observation that the Secretariat and implementers may understand and perceive risk differently, the CRO emphasized the increasing focus on dialogue during risk assessment processes. Finally, he assured the Board that as differentiation is applied, the Global Fund would be in a better position to support countries in challenging operating environments, which should improve operational capacity in high-risk contexts.

198. **Decisions**. Providing closing remarks, the Chair of the AEC described the Risk Management Policy as reflecting the significant progress made in the Global Fund's management of risk, noting the AEC's appreciation of the increased attention to risk management across the organization. The Board then approved the Risk Management Policy (GF/B32/DP11) and the approach for risk differentiation (GF/B32/DP12).

Agenda Item 17: Risk and Assurance (Board Information)

199. In a session chaired by the Vice-Chair of the Board, the CRO made a presentation on the first phase of the risk and assurance initiative, set forth in document GF/B32/15.³⁶ The initiative represents a key Management Executive Committee priority for 2014 and 2015, and a material issue identified by the OIG for Secretariat attention.³⁷ Recalling the 19 operational risks

³⁶ GF/B32/15: Global Fund Risk and Assurance Processes.

³⁷ As laid out in document GF/B32/07 Revision 1: Status Update on Agreed Management Actions.

presented in the Organizational Risk Register,³⁸ Mr Klumper emphasized implementers' responsibility for mitigation and management of 18 of these core operational risks. The Secretariat therefore relies on assurance in order to determine whether grants are operating efficiently.

200. The CRO described the review of assurance methods, undertaken via individual grant reviews and through engagement with internal assurance experts, with the objective of determining whether assurance over grants is currently sufficient, coordinated, comprehensive, and obtained through the appropriate providers. He noted that the outcomes of the review indicated a number of gaps in assurance provision, primarily over data quality and program quality, as well as overlaps, particularly in the field of financial and fiduciary assurance.

201. Outlining the intended changes to the Global Fund's current assurance model, Mr Klumper referred to the processes, infrastructure and governance structure for the initiative. He confirmed that the proposed changes would be implemented through a change program led by the Risk Management Department. The CRO emphasized that the proposed developments were expected to result in more efficient and cost-effective assurance, more empowered country teams, and improved risk management at the portfolio level.

202. **Board discussion.** In a brief round of comments from the Board, constituencies welcomed the Secretariat's prioritization of bringing improvements to assurance processes, systems, and strengthening the three lines of defense.³⁹ The initiative's proposed pilot phase was emphasized as being critical to the Global Fund's determination as to the feasibility of the approach, and engagement with country level stakeholders was deemed to be of key significance.

203. Pooling of resources. Three donor constituencies called for the Global Fund to consider collaboration with similar organizations at Secretariat level, specifically mentioning the GAVI Alliance, in order to pool assurance resources through a shared service approach. The Executive Director informed the Board that consideration was already being given to such an approach with a view to improving both cost efficiency and impact on the ground.

Agenda Item 18: Timeline for Transitional Governance Committee (Board Information)

204. The Head, Office of Board Affairs, presented a proposal for an accelerated process to nominate and appoint members of the Transitional Governance Committee ("TGC"), whereby members would be nominated by constituencies, with final decision as to the appointees to be taken by Board leadership, so as to enable the TGC to commence work in January 2015. Constituencies noted that the TGC held the same status as the Board's three existing committees. In view of this, constituencies agreed that the nomination and appointment process should not deviate from standard procedure. A timeline was agreed to enable swift nomination, decision-making by the full Board via electronic vote, and appointment of TGC membership so as to enable work to commence in January 2015.

³⁸ GF/B32/12: Report on Risk Management, Annex 1, Organizational Risk Register, Q3 2014

³⁹ The three lines of defense refers to a generally accepted way to describe roles and responsibilities for risk management and internal control in an organization, where management control is the first line of defense, the various risk, control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third.

Agenda Item 19: Amended and Restated Policy on Restricted Financial Contributions (Board Decision)

205. In a session chaired by the Chair of the Board, Christoph Benn, Head, External Relations Division, presented proposed amendments to the Policy for Restricted Financial Contributions (“PRFC”), set forth in document GF/B32/20. He indicated that the main purpose of the proposed changes was to allow eligible donors to target their contributions towards specific investments on the UQD register, and provide stronger incentives for countries to invest in the Debt2Health (“D2H”) program. Dr Benn reminded the Board that there was still opportunity to raise additional resources for the current allocation period. He quantified contributions through private donations and D2H as having potential to reach around USD 200 million, subject to the possibility of restricting contributions towards specific components on the UQD register.

206. Concluding his presentation, Dr. Benn stressed that all complementary restricted contributions would be used to support Board-approved activity and would not result in unreasonable transaction costs, system changes, high risks or deviation from existing Global Fund rules. In addition, he underscored that, upon Board approval of the Amended and Restated PRFC, the Secretariat would report regularly to the SIIC and FOPC on restricted contributions.

207. **Board discussion.** Constituencies commended the Secretariat for the efforts to raise additional resources to fight the three diseases and showed general comfort with the initiative. Questions reflected concerns about potential disruptions in the overall process to award UQD funding, implications on the sustainability of programs and process for countries transitioning from Global Fund support.

208. **Secretariat response.** Dr Benn reconfirmed that official development assistance contributions, which remain the main source of funding for Global Fund programs, were outside the scope of this proposal and cannot be restricted. He further noted that the FOPC had reviewed the proposed amendments to the policy in detail at two of its in-person meetings, and that all technical and risk related questions raised by committee members had been satisfactorily addressed by the Secretariat. Speaking to the Board’s concern regarding the issue of long term sustainability, Dr Benn explained that by increasing the engagement of local actors in financing health programs, the Global Fund encourages progress towards greater sustainability beyond Global Fund support.

209. **Decision.** The Board approved the Amended and Restated Policy for Restricted Financial Contributions. (Decision Point GF/B32/13)

Agenda Item 20: Board Leadership Appointment (Board Information)

210. In the final session of the Meeting, the Chair of the Board confirmed the date for the Thirty-Third Board Meeting (31 March-1 April 2015), and presented an overview of the Board’s six core areas of oversight responsibility, summarizing the high-level agenda items for the Board to address in 2015 and 2016. This set the scene for a discussion regarding the timeline for the election of the incoming Board Chair and Vice-Chair, to be appointed at the next Board Meeting.

211. The Head of the Office of Board Affairs confirmed that the proposed timeline for nominations conformed to the Global Fund’s Board and Committee Operating Procedures. Constituencies and the Board leadership engaged in discussion as to the merits of amending the process for nomination and election of the Board leadership at this time. The Board agreed to follow the existing process established within the Board and Committee Operating Procedures. Consideration of any possible improvements will be referred to the TGC.

Agenda Item 21: Closing

212. The Chair of the Board thanked constituencies and staff for their participation in both the Board Meeting and the preceding Board Retreat, and summarized the important decisions taken in support of the Global Fund's continuing service to those affected by the three diseases. Dr Mboi reported on the update received in executive session from the Inspector General Ad Hoc Nominations Committee ("AHNC"), confirming that the Board had agreed to take a decision as to the AHNC's recommendation via electronic vote in December 2014.

213. Having reflected on the week's accomplishments, Dr Mboi looked ahead at the work awaiting the Board, its committees, and the staff of the Global Fund: the implementation of the Governance Plan for Impact, the ongoing developments of the Ethics and Integrity initiative and the work required to develop the next Global Fund Strategy. Finally, she wished the Secretariat continuing stamina and courage in the ongoing implementation of the funding model.

214. Dr Mboi expressed sincere thanks to the Chairs and Vice-Chairs of the Board's committees, to the Executive Director and the staff of the Secretariat, to the Office of Board Affairs and the Events team. She extended a final word of thanks to Martin O'Malley, before extending her best wishes to all participants.

Annex 1: Decisions Taken at the Thirty-Second Board Meeting

Decision Point GF/B32/DP01: Appointment of Rapporteur

Mr. Paul Schaper from the Private Sector constituency is designated as Rapporteur for the Thirty-Second Board Meeting.

Decision Point GF/B32/DP02: Approval of Agenda

The agenda for the Thirty-Second Board Meeting (GF/B32/01 – Revision 1) is approved.

Decision Point GF/B32/DP03: 2015 Corporate Work Plan, Budget Narrative and Operating Expenses Budget

1. Based on the recommendation of the Finance and Operational Performance Committee (the “FOPC”), the Board approves the following:
 - a. Corporate Work Plan and Budget Narrative 2015, as set forth in GF/B32/04; and
 - b. 2015 Operating Expenses Budget in the amount of USD 299.8 million, as set forth in GF/B32/03 (the “2015 OPEX Budget”), which includes USD 16.4 million for the Office of the Inspector General’s 2015 operating expenses based on the recommendation of the Audit and Ethics Committee.
2. As previously decided by the Board (GF/B22/DP18), the Secretariat will manage the 2015 OPEX 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.

Decision Point GF/B32/DP04: Communication on Status of Recoveries

1. As outlined in GF/B23/DP24 and reiterated in GF/B23/DP28, the Board continues to work with a full commitment to transparency and to endeavor to uphold the independence of the Office of the Inspector General (the “OIG”) within the Global Fund. In order to further promote this independence, the Board decides to supersede GF/B23/DP28 in its entirety with this decision point (GF/B32/DP04).
2. The Board recognizes the need to have clear, consistent and contextualized information regarding the status of recoveries related to non-compliant expenditures identified within grant programs financed by Global Fund resources.
3. With respect to non-compliant expenditures identified from OIG audits and investigations, the Board requests the Global Fund Secretariat to prepare a Recoveries Report (the “Report”) for the periods ending 30 June and 31 December of each year. The Report will detail, among other items:
 - a. The amounts reported by the OIG as being non-compliant and/or as constituting financial loss;

- b. The amounts deemed recoverable by the Secretariat based on the OIG’s findings, including an explanation of the method and process employed for the determination of such amounts; and
 - c. Progress on outstanding recovery actions, including a description of the context within which recovery-related processes are being handled by the Secretariat and any lessons learned.
4. The Board requests the AEC to:
 - a. Review the Report;
 - b. Engage with the Finance and Operational Performance Committee (the “FOPC”) on matters within the FOPC’s mandate that relate to the process of developing and updating the Report; and
 - c. Present any recommended amendments to this decision point to the Board for approval.
5. Following the review of the Report by the AEC, the Secretariat shall submit the Report to the Board.
6. Furthermore, the Board directs the Secretariat to develop, for AEC approval, a methodology and format for future reporting within the Report, which describes measures taken with respect to recoverable amounts identified in the due course of grant management operations.
7. The Board requests the OIG to report independently on the Secretariat’s progress on matters related to recoveries as part of the OIG’s Report to the Board or as otherwise determined by the AEC.

Decision Point GF/B32/DP05: Approving the Governance Plan for Impact

1. The Board acknowledges the:
 - a. Observations, options and survey results presented in the advisory report issued by the Office of the Inspector General (the “OIG”) on the effectiveness and efficiency of Global Fund governance, as set forth in GF-OIG-14-008 (the “OIG Advisory Report, Governance Review”);
 - b. Analysis and recommendations presented in the Governance Plan for Impact prepared by the 2014 Ad-Hoc Working Group on Governance, as set forth in GF/B32/08 – Revision 2 (the “Governance Plan”); and
 - c. Related discussions and deliberations during the Board Retreat held in Montreux, Switzerland on 16 – 18 November 2014.
2. Accordingly, the Board notes the recommendations on governance function contained in the Governance Plan and approves:
 - a. The finalization of an enhanced governance structure, to be presented at the November 2015 Board meeting, comprised of the Board, Coordinating Group and the following re-configured standing committees:

- i. Audit and Finance;
 - ii. Ethics and Governance; and
 - iii. Strategy and Operations.
 - b. Measures to transition the current governance structure to the enhanced governance structure, by the beginning of April 2016, which consists of:
 - i. Establishment of the Transitional Governance Committee, under the terms of reference set forth in Annex 2 to the Governance Plan;
 - ii. Modified responsibilities for the Coordinating Group, as reflected in its amended terms of reference, as set forth in Annex 4 to the Governance Plan; and
 - iii. Maintaining the current allocation of responsibilities among the three standing committees (i.e., Audit and Ethics, Finance and Operational Performance, Strategy, Investment and Impact) until the enhanced governance structure is in place.
 - c. Amended terms of reference for the Chair and Vice-Chair of the Board, as set forth in Annex 5 to the Governance Plan, to reflect the allocation of their shared and individual responsibilities.
3. With respect to cross-cutting activities, the Board approves the recommendations set forth in the Governance Plan regarding the following:
- a. The Model for managing cross-cutting activities, as depicted in Figure 5 of the Governance Plan;
 - b. Responsibilities for risk management;
 - c. Assessment of organizational performance; and
 - d. Reaffirmation of the Partnership Forum with a refocused scope, as outlined in the proposed amendments to the By-laws set forth in Annex 6 to the Governance Plan.
4. Furthermore, the Board approves the recommendations set forth in the Governance Plan for the following areas:
- a. Transparency of Board and committee votes, including revisions to the Operating Procedures of the Board and Committees set forth in Annex 7 to the Governance Plan;
 - b. Institutional memory management;
 - c. Elevating the implementer voice; and
 - d. Lifecycle management practices as well as constituency management, which shall be overseen by the Transitional Governance Committee described in paragraph 2.b.i of this decision point.

5. In relation to the topic of legal status, the Board decides, noting the unique legal status of the Global Fund, to utilize the transition measures to, and eventual implementation of, the enhanced governance structure outlined in the Governance Plan to facilitate the Board's understanding and determination of the set of norms and standards the Global Fund strives to comply with in its governance and operations.
6. The Board authorizes the Secretariat, in coordination with the Transitional Governance Committee, to amend, restate or develop the relevant governance documents to reflect the implications of this decision point. Such amended, restated or developed governance documents shall be presented to the Board for approval. In doing so, the Secretariat will also propose additional modifications to rules, procedures or structures established under this decision point, which may be required for its implementation, for further approval by the Board.
7. This decision point and its related modifications to governance documents shall take immediate effect upon the date the Board approves this decision point.
8. Finally, the Board notes this decision point marks the conclusion of the work and mandate of the 2014 Ad-Hoc Working Group on Governance, and extends its gratitude and appreciation to the 2014 Ad-Hoc Working Group on Governance, as well as the Office of the Inspector General, for their efforts to produce analysis, observations, options and recommendations to guide the Board in furthering the effectiveness and efficiency of governance matters.

Decision Point GF/B32/DP06: Privileges and Immunities

1. The Board acknowledges:
 - a. The absence of privileges and immunities exposes the Global Fund's resources, staff and mission to serious risks and challenges;
 - b. The importance of States, particularly implementing country governments, to accord privileges and immunities to the Global Fund through either applying domestic legislation or executing the Board-endorsed multilateral Agreement on Privileges and Immunities; and
 - c. The Secretariat's efforts to require host-country grantees to take all appropriate and necessary actions to ensure the Global Fund is accorded privileges and immunities within three years from the effective date of a Framework Agreement signed between the Global Fund and host-country grantees.
2. To further ensure progress in protecting the Global Fund through privileges and immunities, the Board requests:
 - a. The Secretariat to dedicate required resources for the acquisition of privileges and immunities for the Global Fund;
 - b. The Finance and Operational Performance Committee and the Audit and Ethics Committee to oversee jointly the acquisition of privileges and immunities for the Global Fund, and report to the Board on an annual basis on implementing and donor countries that have and have not provided such protection to the Global Fund; and

- c. The Board Leadership to constitute a dedicated group of donor and implementer representatives to identify strategies and advocate for the acquisition of privileges and immunities for the Global Fund.

Decision Point GF/B32/DP07: Global Fund Financing of Hepatitis C Treatment

1. The Board acknowledges the Strategy, Investment and Impact Committee's (the "SIIC") plan to develop recommendations for Board consideration at its March 2015 meeting on the Global Fund's role in funding treatment of co-infections and co-morbidities of HIV/AIDS, tuberculosis and malaria, and directs the Secretariat to engage and collaborate with partners to support the SIIC's development of such recommendations.
2. As an interim measure until there is an outcome to those deliberations, where there is a currently approved budget for Hepatitis C virus ("HCV") treatment within an existing Global Fund grant, the Global Fund may continue to fund such treatment up to the approved budget amount, as set forth in GF/B32/22, and may otherwise permit continuation of Global Fund funded HCV treatment programs during this interim period with new grants in these countries up to previously approved budgeted levels.
3. The Board encourages partners to finance broader and additional HCV treatment needs, including those identified within Global Fund grant programs.
4. The Board acknowledges the close working relationship and collaboration among the Global Fund, UNITAID and other partners on market-shaping activities, including the expansion of access to HCV treatments.

Decision Point GF/B32/DP08: Market Dynamics Oversight

1. Based on the joint recommendation of the Strategy, Investment and Impact Committee (the "SIIC") and the Finance and Operational Performance Committee (the "FOPC"), as outlined in GF/B32/23, the Board:
 - a. Affirms its commitment to optimizing the performance and impact of investments in health products and devices, through the review and updating of the Market Shaping Strategy (Annex 1 to GF/B23/09 - Revision 1) as well as oversight of its implementation and operationalization;
 - b. Decides the Market Dynamics Advisory Group (the "MDAG") will cease as of the date of this decision, and that no advisory body shall be created or utilized to support the Board and its Committees in their responsibilities over market-dynamics matters;
 - c. Acknowledges the Secretariat's responsibility to develop, update and implement strategic policies and initiatives on market-dynamics matters in collaboration with partners with relevant expertise;
 - d. Decides that the overall responsibilities for oversight and monitoring of market-dynamics matters, which include strategic and operational components, shall rest with the FOPC and SIIC as follows:
 - i. The SIIC shall be responsible for guiding and overseeing the development and updating of strategic policies related to market-dynamics matters, such

as the Market Shaping Strategy for recommendation to the Board by its November 2015 meeting; and

- ii. The FOPC shall be responsible for oversight of the implementation of strategic policies, including the financial and operational aspects of related sourcing and procurement initiatives.
2. Accordingly, the Board approves the amendments and restatements of the following governance documents, which shall become effective as of the date of this decision:
 - a. Bylaws, as set forth in Annex 1 to GF/B32/23;
 - b. Charter of the Finance and Operational Performance Committee, as set forth in Annex 2 to GF/B32/23; and
 - c. Charter of the Strategy, Investment and Impact Committee, as set forth in Annex 3 to GF/B32/23.
 3. The Board directs the FOPC and SIIC, in collaboration with the Secretariat, to develop procedures and mechanisms on reporting and engagement to facilitate the FOPC and SIIC in the discharge of their responsibilities, including establishment of methods for how the committees will communicate, as a whole and through focal points, and ways to enlist experts that can provide technical support when appropriate. Such procedures and mechanisms will be in place and communicated among the members of the FOPC and SIIC by the end of the 2014 calendar year.

Decision Point GF/B32/DP09: Ethics and Integrity Initiative: First Stage Policy Proposals

1. The Board acknowledges the Audit and Ethics Committee's recommendation of policy principles arising from the First Stage of the Ethics and Integrity Initiative, as set forth in GF/B32/18 – Revision 1.
2. Accordingly, the Board approves:
 - a. The Ethics and Integrity Framework contained in Annex A to GF/B32/18 – Revision 1; and
 - b. The proposal for creation of a dedicated and independent ethics function led by an Ethics Officer, as described in Annex B to GF/B32/18 – Revision 1.
3. The Board furthermore requests the Audit and Ethics Committee to develop the following for the Board's approval at its Thirty-Third Meeting:
 - a. A Terms of Reference, reporting line and resourcing for the Global Fund ethics function, developed in consultation with the Finance and Operational Performance Committee; and
 - b. A Code of Ethical Conduct for Governance Officials, developed in consultation with all Board constituencies, and based on the Global Fund's core ethical values and the principles contained in Annex C to GF/B32/18 – Revision 1.

Decision Point GF/B32/DP10: Approval of the Global Fund Corporate KPI Framework 2014-2016

1. The Board :
 - a. Notes the Global Fund Corporate Key Performance Indicator Framework for 2014-2016 (the “KPI Framework”), which was approved in November 2013 (GF/B30/DP07), required additional methodological work during 2014 to finalize certain indicators; and
 - b. Recognizes the work by the Secretariat to complete the methodology of the KPI Framework in consultation with the relevant committees of the Board.
2. Accordingly, the Board approves the updated KPI Framework, currently available performance targets for 2015, and the plan to present the remaining 2015 performance targets for approval at the Thirty-Third Board Meeting, as set forth in GF/B32/24.a – Revision 2.

Decision Point GF/B32/DP11: Approval of the Risk Management Policy

1. The Board acknowledges multiple operational tools are utilized and updated by the Secretariat to execute the Global Fund’s approach to risk management, as outlined in the Enterprise Risk Management Framework set forth in Annex 1 to GF/B32/13.
2. Accordingly, based on the recommendation of the Finance and Operational Performance Committee, the Board approves the Risk Management Policy, as set forth in Annex 3 to GF/B32/13 (the “Policy”).
3. The Policy shall supersede the Risk Management Framework adopted by the Board in November 2009 at its Twentieth Meeting (GF/B20/DP15) and become effective as of the date of this decision.

Decision Point GF/B32/DP12: Applying Risk Differentiation

1. Based on the recommendation of the Finance and Operational Performance Committee, the Board adopts the risk differentiation framework presented in paragraphs 34 through 37 of GF/B32/14.
2. The Board directs the Secretariat to operationalize this risk differentiation framework and report on its implementation at each Board Meeting. Furthermore, the Secretariat shall conduct annual reviews to update the risk differentiation framework as appropriate, and report to the Board once a year on the outcome of such reviews.

Decision Point GF/B32/DP13: Approval of the Amended and Restated Global Fund Policy for Restricted Financial Contributions

1. Based on the recommendations of the Finance and Operational Performance Committee, the Board approves the Amended and Restated Global Fund Policy for Restricted Financial Contributions, as set forth in Annex 1 to GF/B32/20 (the “Amended and Restated Policy”).

2. The Amended and Restated Policy shall supersede the prior version of the Policy for Restricted Financial Contributions (GF/B15/DP29) and be effective as of 22 November 2014, and shall not alter the characterization of any sources of funds that have been factored into the 2014 allocation of resources.

Annex 2: Thirty-Second Board Meeting Documents List

GF/B32/01 Revision 1	Agenda
GF/B32/02	Report of the Executive Director
GF/B32/03	The Global Fund OPEX Budget 2015
GF/B32/04	2015 Corporate Work Plan
GF/B32/05	Global Fund Mid Term Plan
GF/B32/06	OIG Progress Report , January to October 2014
GF/B32/07 Revision 1	OIG Status Update on Agreed Management Actions
GF/B32/08 Revision 2	Governance Plan for Impact - Ad Hoc Working Group on Governance Report to the Board
GF-OIG-14-008	OIG Review of Governance (re-issue)
GF/B32/09	Review of lessons learned from roll out of funding model
GF/B32/10	Report from the Technical Review Panel
GF/B32/11	2015 Strategic Review update
GF/B32/12	Report on Risk Management + Annex 1: Organizational Risk Register 2014 Q3
GF/B32/13	Risk Management Policy
GF/B32/14	Applying Risk Differentiation
GF/B32/15	Global Fund Risk and Assurance processes
GF/B32/16	Losses and Recoveries Report
GF/B32/17	Communication on Status of Recoveries
GF/B32/18 Revision 1	Ethics and Integrity Initiative
GF/B32/19	Privileges and Immunities of the Global Fund
GF/B32/20	Amended and Restated Policy for Restricted Financial Contributions

GF/B32/21	Update on Strategy Development
GF/B32/22	Global Fund and Hepatitis C Treatment
GF/B32/23	The Global Fund and Market Shaping Dynamics: Current Status and Way Forward
GF/B31/24A Revision 1	Global Fund Corporate KPIs Narrative
GF/B32/24B	Global Fund Corporate KPIs Pre-read Slide deck
GF/B32/25	AEC Report to the Board
GF/B32/26	FOPC Report to the Board
GF/B32/27	SIIC Report to the Board
GF/B32/28	Report of Board Decisions taken in between in-person session of the Board
GF/B31/19 - Rev. 1	Report of the Thirty-First Board Meeting

Annex 3: Action Sheet of matters arising for follow up from the Thirty-First Board Meeting

As shared with the Board at the Thirty-Second Board Meeting

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No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
A. Board Decisions - Pending or ongoing						
A.1	GF/B31/DPO4 - 2014 Operating Expenses Budget	Finance	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.	Periodic Reporting	FOPC	Ongoing - Routine reporting of actuals versus budget.
A.2	GF/B31/DPO6 - Special Initiatives	Secretariat	The funds available for Special Initiatives may be reallocated by the Secretariat among the Special Initiatives set forth under paragraph 2 [of the DP] 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.	Ongoing requirement	SIIC, FOPC	The SIIC has approved : 1. USD 2.0 million procurement revolving fund from within the already approved for the Value for Money Special Initiative 2. A reallocation of USD 500,000 from within the already approved Value for Money Special Initiative to PR grant-making capacity-building.)
		Secretariat	The Secretariat shall recover investments towards Special Initiatives from funding provided through grant programs whenever possible.	Ongoing requirement	SIIC, FOPC	To be reported as implemented.
		Secretariat	With respect to the use of funds available for the Special Initiatives, the Secretariat shall report to the FOPC on the financial implications and to the SIIC on the operational and strategic implications.	Ongoing requirement	SIIC / FOPC	Ongoing - the Secretariat reports to the SIIC and the FOPC at every committee meeting on implementation of the NFM including use of funds available for the Special Initiatives.

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
A.3	GF/B31/DP12 - Extension Policy under the New Funding Model		The Secretariat shall recommend to the Board for approval any circumstances warranting an extension in grant implementation period beyond those defined as under the Secretariat's authority per GF/B31/DP12. <i>[namely, 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> i. <i>When the extension does not require funding in addition to the amounts approved by the Board for such implementation period ; or</i> ii. <i>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.]</i>	Monthly	Board via GAC Monthly Report to the Board and Funding Recommendations EDPs	Ongoing - regular reporting via the Grant Approvals Committee's reports to the Board.
		Secretariat	The Secretariat will develop a framework for exercising the authority delegated under this decision			Complete - Operational Policy Note on Extensions Policy is in place. Reporting referred to above and below follows this OPN.
		Secretariat	[The Secretariat will] report to the Board the extensions approved by the Secretariat under such authority through the monthly Grant Approvals Committee Report on funding recommendations.	Monthly	Board via GAC report to the Board, monthly	Ongoing - regular reporting via the Grant Approvals Committee's reports to the Board.
		Secretariat	The Secretariat will review the implementation of this decision and present any recommended modifications to the Strategy, Investment and Impact Committee for approval.	As required	SIIC	Recommended modifications will be presented as required.
A.4	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.	33rd Board Meeting	SIIC reporting to the Board.	Ongoing - Strategy development work by Secretariat Strategy and Policy team, and Development Continuum Working Group. To be presented to the Board at its first meeting in 2015.

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
A.5	Decision Point GF/B30/DP7 Organizational Performance (Part 1)	Secretariat	<p>1. Report annual corporate level Key Performance Indicator (KPI) results to the Board Committees and the Board.</p> <p>2. Complement indicator results with sex and age disaggregated data where feasible.</p> <p>3. Regularly review performance targets to drive effectiveness and efficiency and submit any proposed changes to the Board for approval.</p> <p>4. Include the budgetary implications of the decision in the 2014 Operational Expenses budget.</p>	Data collected by end December each year, and reporting in Q1 of the following year	Through the committees as relevant to their areas of oversight.	<p>Ongoing - continuing annual action required to assess impact of the 2012 - 2016 Strategy.</p> <p>The 2014 OPEX included relevant resources, as well as 2015 OPEX Budget and its accompanying Corporate Workplan presented at the 32nd BM.</p> <p>Preliminary 2014 results will be presented at the 32nd Board Meeting. 2015 targets and final KPI Framework for 2012-16 will be presented to the Board for approval at its 32nd Board Meeting.</p>
A.6	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)	<p>Submit indicator revisions to the Board for approval, with a complete KPI framework, including baselines for each measure, finalized by:</p> <p>(a) end June 2014 (except KPIs 1, 2, 3 and 12)*; and</p> <p>(b) at date to be determined for KPIs 1, 2, 3 and 12*.</p> <p><i>* 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)</i></p>	<p>a. End June 2014</p> <p>b. 32nd Board Meeting</p>	<p>a. Secretariat proposal after consultation with Committees based on relevant oversight responsibility</p> <p>b. Joint committee recommendation to the Board after consultation with Committees based on relevant oversight responsibility</p>	<p>Ongoing - an updated Corporate KPI Framework 2014-2016, covering currently available performance targets for 2015 and the plan to present the remaining 2015 performance targets is presented to the Board at the 32nd Board Meeting.</p> <p>The indicators for the updated framework were presented for input through the relevant committee.</p>
A.7	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> <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.	Closed - Superseded by the March 2014 launch of the New Funding Model at the 31st Board Meeting.

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
B. Other Action Points - Pending or ongoing						
B.1	Action Point GF/B31/01: Board Meeting Agenda, para 9	Board Chair and Vice-Chair	Consider offering all Board constituencies the opportunity to provide input into the Board Meeting Agenda.	Ahead of 32nd Board Meeting (and ongoing for Board Meetings thereafter)		Complete - consultation opportunity offered to all constituencies on high-level Agenda for the 32nd Board Meeting.
B.2	Action Point GF/B31/02: OPEX, para 43	Secretariat	Submit work plan for approval alongside OPEX budget for 2015.	Ongoing requirement	FOPC reporting to the Board.	Complete - presented for decision at this 32nd Board Meeting. Document GF/B32/03 and 04. OPEX and accompanying work plan will be submitted on an annual basis.
B.3	Action Point GF/B31/03: Country Bands, para 126, 134	Secretariat and SIIC	Request to consider composition of Country Bands and allocation methodology ahead of next allocation period.	Next Allocation period	SIIC reporting to the Board	Ongoing - it is anticipated that the allocation methodology will be reviewed ahead of the next allocation period.
B.4	Action Point GF/B31/04: Country Bands, para 135, 137	Secretariat	Provide regular progress reports on the reduction of cases of notional under-allocation.	Next Allocation period	SIIC	Ongoing - part of comprehensive review of NFM methodology being undertaken on an ongoing basis in advance of the next allocation period
B.5	Action Point GF/B31/05: Risk Management and Assurance, para 150	Secretariat	Report to the committees and Board on the outcomes of in-depth examination of 19 key risk areas. Report on combined assurance framework. Consideration to be paid to risks related to LFAs and CCMs.	32nd Board Meeting	Through the three committees to the Board	Complete at 32nd Board Meeting - A comprehensive update on Risk Management Matters including the comprehensive changes to Global Fund risk and assurance processes is provided to the Board at the 32nd Board Meeting. A Risk Management Policy and Risk Differentiation Framework will be presented to the Board for approval at its 32nd Board Meeting.
B.6	Action Point GF/B31/06: Risk Management Reporting, para 157	Secretariat	Formalised reporting to be established on risk management and combined assurance	32nd Board Meeting, then ongoing regular reporting.	Proposal - Working Group on Governance. Future reporting anticipated to be through the three committees to the Board.	Anticipated completion at 32nd Board Meeting. The Working Group on Governance proposals presented to the 32nd Board Meeting include an approach to risk management oversight and associated reporting requirements.

No	Item	Implementation Responsibility	Action / Next steps	Milestones	Reporting/ Oversight mechanism(s)	Status
B.7	Action Point GF/B31/07: Ethics and Integrity, para 187	Board Leadership	Proceed with the Ethics Framework development initiative for discussion at the Board Retreat in 2014	During 2014	AEC reporting to the Board	Ongoing - the first stage policy proposals are presented for Board decision at the 32nd Board Meeting. Stage 2 will continue through 2015. Comprehensive discussion undertaken at November 2014 Board Retreat.
B.8	Action Point GF/B31/08: FOPC Membership, para 201	Board Chair and Vice-Chair	Issue new call for nominations and finalize appointment process for FOPC membership renewal.	Apr-14	Board Leadership proposal to the Board	Complete - approved by the Board via electronic decision point GF/B31/EDP04 on 28 April 2014.
B.9	Action Point GF/B31/09: Board Agenda Strategic Discussions, para 208	Board Chair and Vice-Chair	Consider scheduling strategic discussions on matters such as partnerships and market dynamics. Ensure time for reporting from all three committees on their work.	32nd Board Meeting	Board Leadership proposal to the Board	Complete - 32nd Board Meeting pre-Meeting day sessions on partnerships, sourcing, and committee work. Board Meeting sessions will include discussion on the next Strategy and market dynamics.
B.10	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	Ongoing - The Board Leadership presented a proposal for a strategic multi-year agenda at the 31st Board Meeting in line with the financial cycle. The Board Leadership will continue to review and update on an ongoing basis, taking into consideration WGG recommendations and the ongoing Ethics and Integrity initiative.
B.11	Action Point GF/B30/AP5: 2013 Audited Financial Statements	Secretariat	Presentation for Board electronic vote, the 2013 Audited Financial Statements and Annual Report	By end April 2014	AEC	Complete - recommendation to the Board by the AEC and approved via electronic decision point GF/B31/EDP02-03 on 25 April 2014.
B.12	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.	During 2015 (postponed)	FOPC recommendation to the Board	Pending - anticipated to be addressed as part of 2015 FOPC work plan, subject to the OIG governance review and subsequent recommendations of the Working Group on Governance, and pending a decision of the Board on how the Board would like to take this forward.

Annex 4: Glossary of Acronyms

A list of commonly-used Global Fund acronyms is available at the following link: http://www.theglobalfund.org/documents/core/guides/Core_GovernanceHandbookVocabulary_List_en/

AEC	Audit and Ethics Committee
AMAs	agreed management actions
CCM	Country Coordinating Mechanism
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CSS	community systems strengthening
D2H	Debt2Health
ESC	Ethics Steering Committee
FOPC	Finance and Operational Performance Committee
FPM	Fund Portfolio Manager
HSS	health systems strengthening
KPI	key performance indicator
LFA	Local Fund Agent
LLIN	long-lasting insecticidal nets
MDGs	Millennium Development Goals
MDR-TB	multidrug-resistant tuberculosis
MTP	mid-term plan
NFM	new funding model
NGO	nongovernmental organization
OIG	Office of the Inspector General
OPEX	operating expenses
PEPFAR	President's Emergency Plan for AIDS Relief (USA)
PR	Principal Recipient
PRI	portfolio risk index
RMNCH	reproductive, maternal, newborn and child health
SIIC	Strategy, Investment and Impact Committee
TERG	Technical Evaluation Reference Group
TGC	Transitional Governance Committee
TRP	Technical Review Panel
UNAIDS	Joint United Nations Programme on HIV/AIDS
UQD	unfunded quality demand
WHO	World Health Organization
WGG	Working Group on Governance