



REPORT OF THE FOURTH BOARD MEETING

Summary of Decision Points:

1. The Board is requested to approve the Report of the Fourth Board meeting.

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This report provides a summary of deliberations and a record of the decisions of the Fourth Meeting of the Global Fund Board held at the Mövenpick Hotel in Geneva, Switzerland, from Wednesday 29 January to Friday 31 January 2003.

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Agenda Item 1: Introduction and Welcome

1. The Vice Chair, Mr Seiji Morimoto (Japan) welcomed the delegates and explained that his term and the term of the Chair had expired the previous day. He further informed the Board that Dr. Chrispus Kiyonga, outgoing Chair of the Board was delayed in Kampala due to urgent state business, but would join the following day. The Board Member from South East Asia then proposed that Mr Morimoto chair the meeting. There were no objections. He then declared the meeting open.
2. The Chair welcomed Dr. Andrij Padaev, the Minister of Health of the Ukraine, as a new Board Member who was attending his first meeting since being appointed. The Chair also welcomed the Minister from Rwanda and Ambassadors from Luxembourg and the United States all of whom were attending, or were due to attend, as part of constituency delegations.
3. The Chair paid tribute to Joseph Scheich, a member of the NGO delegation, who died of AIDS-related causes on 14 January 2003. The Chair stated that his death was a tragic reminder of the hundreds of people who died of AIDS-related illnesses each day. He then asked Dr. Christoph Benn, Board Member for Developed Countries NGO, to say a few words. Dr. Benn stated that it was with profound sadness that the Global Fund had to begin another meeting paying tribute to another colleague lost to HIV/AIDS. Dr. Benn praised Joseph for being an outstanding person who became the international coordinator of people living with HIV/AIDS. He further noted Joseph's great contributions to the creation of the Global Fund before asking the delegates to rise for a moment of silence in tribute to Joseph.
4. The Chair recognized the accomplishments of the Fund since the last Board meeting. He noted that over half of the countries approved in Round 1 had been signed, which was impressive considering that the first grant was signed at the end of November. He added, however, that there were several important policy issues that faced the Board in the coming days, including the need to renew the Technical Review Panel (TRP), determine how to assess the Country Coordinating Mechanisms (CCM), the approval of the Secretariat's 2003 budget, the review of second round proposals and resource mobilization. He also stated that a key decision point would be the election of the Chair and the Vice Chair of the Board. He informed delegates that he received a letter from Dr. Kiyonga the previous day, advising him of his unavailability to stand for re-election. The Chair further notified the Board with regret that he was not in a position to assume the position of Chair of the Board.

Decisions:

1. The Board decided that Mr. Seiji Morimoto, previous Vice Chair of the Board would chair this meeting.

Agenda Item 2: Appointment of Rapporteur

1. The Chair thanked the Board Member for the Developed Country NGO, Dr. Christoph Benn, for serving as Rapporteur during the Third Board Meeting and proposed Dr. Julian Lob-Levyt, Member for the UK, Canada and Switzerland, as Rapporteur for the Fourth Board Meeting. This proposal was unanimously accepted.

Decisions:

1. The Board approved the designation of Dr. Julian Lob-Levyt as Rapporteur of the 4th Board meeting.

Agenda Item 3: Election of the Chair and the Vice Chair

Introduction:

1. The Chair suggested that the election of the Chair and the Vice Chair be postponed until the Thursday or Friday in order to give the delegates additional time to put forth nominations and consider the candidates, as well as wait for the arrival of Dr. Kiyonga.

Summary of Discussions:

2. Delegations stressed the importance of an open and transparent process, and expressed their desire for additional time to consult with their constituencies after the nominations were announced. Delegates also expressed their preference to keep Thursday open for the important task of reviewing Round 2 proposals, suggesting that Friday would be the preferred date for the elections. Taking the opportunity of his opening statement of the day, the Alternate Board Member from the United States announced that the President had pledged an additional USD 1 Billion to extend his commitment to the Global Fund.
3. Delegations expressed their preference for having a firm deadline to accept nominations for both positions, as well as a pre-appointed time for the announcement of the nominations that gave sufficient time for the delegates to consult with their constituencies in advance of the elections.
4. The US Alternate announced that Secretary of Health and Human Services, and the Board Member for the US constituency, Mr Tommy G. Thompson, had expressed his willingness to stand for the position of Chair. The Point 7 Board Member also announced his willingness to stand for Chairperson.

Decisions:

1. The Board decided to defer the agenda item on the election of Board Chair and Vice Chair until Friday, 31 January 2003. Nominations for both positions would be accepted by 12h00 and announced at 14h00 on Thursday, 30 January 2003.

Agenda Item 4: Approval of the Agenda

Introduction:

1. The Secretariat introduced the agenda and asked for any comments.

Summary of Discussions:

2. A request was made by the delegates to make the following changes and amendments:
 - The election of the Chair and the Vice Chair would be changed as agreed to in the above decision.
 - The World Bank (Trustee) had asked to make a brief report to this meeting between the discussions on the Secretariat Budget and Work Plan and Resource Mobilization.
 - Delegates expressed their strong preference to have brief coffee breaks added, as well as tables for the delegations.

Decisions:

1. The Board approved the addition of an agenda item on the Trustee Report which would be delivered after the agenda item on the Budget and Workplan. The Board then approved the revised Agenda.
2. In subsequent revisions of the Agenda during the meeting, the Chair proposed a further revision to the Board which deferred the item on the Report on the Legal Status Options for the Global Fund until the June meeting, removing it from the current agenda.

Agenda Item 5: Approval of Report of 3rd Board Meeting

Introduction:

1. The Report of the Third Board Meeting (document GF/B4/2) was introduced and proposed for approval.

Summary of Discussions:

2. A request was made by the delegates to make the following changes and amendments:
 - a. Delegates questioned Agenda Item 7 (Report on the Working Group on Governance), specifically Section 2.3.2 on page 11, Selection of Committee Chairs. Delegates noted that the minutes reflect that the Board would approve any Vice Chairs who are appointed by Committees Chairs. However, some felt that the appointment of the Vice Chairs should be the responsibility of the Committee Chairs. A discussion led to a consensus that this issue should be discussed in more detail during the Board discussion on Committees, and that any change would be reflected at the conclusion of that discussion.

- b. Delegates also questioned Section 9.2.1 on page 13 of the report, regarding the authority of the Board Chair/Vice Chair to make decisions on matters within their discretion between Board meetings. Specifically, the minutes reflected the point that legal advice would be sought on whether the implementation of this decision required a change to Article 17 in the by-laws. Delegates further questioned whether the correct Article was cited in the record, which led to confusion and potential misunderstanding. As legal advice had not been sought in writing as noted in the minutes, delegates requested that this be noted. However, this issue would be raised again during the discussion on Board Operating Procedures.

Decisions:

Part 1:

1. Regarding the ratification of Board Committee leadership and composition, the Board decided to defer the ratification of Board Committee Chairs and Vice Chairs and committee composition until Friday, 31 January 2003, after the election of Board Chair and Vice Chair and after the committee reports had been heard.¹
2. The Board approved the Report of the Third Board Meeting (GF/B4/2) with the exception of the portion on selection of committee Chairs and Vice-Chairs as noted above, and the deletion of the reference to any Article number in section 9.2.1, so that the last sentence reads, "(Legal advice will be sought on whether the implementation of this decision requires a change of the By-Laws)".

Part 2 (Friday 31 January 2003):

3. The Board decided that the Chair and Vice Chair of the Board should discuss with the Executive Director, issues related to committee leadership and composition and revert to the Board as soon as possible.

Agenda Item 6: Report of the Executive Director

Introduction:

1. The Executive Director, Professor Richard Feachem, began his report (included here as Annex 1) by welcoming the delegates and thanking them for their tireless efforts on behalf of the Global Fund since the last meeting. He stated that the Fund had come a long way in the past twelve months, and that there was much of which to be proud. He included the following highlights from 2002:
 - The disbursement architecture had been put in place, and that by the end of the fourth meeting, over 30 grant agreements would be signed. Professor Feachem thanked the Fund Portfolio Team for its efforts, and

¹ There was no time for the discussion on Committees during the rest of the Board meeting. The Chair and the Vice Chair were therefore requested to discuss the issues after the Board Meeting and propose a suitable solution. The World Bank requested membership of the MEFA Committee, and this request gained some support from the Board. If membership was not possible, the Bank requested an invitation to attend the MEFA meetings.

noted that signing agreements with the remaining countries approved in Round 1 was the priority.

- Moving from agreements to disbursements, and from disbursements to expenditures, was an equal priority. While noting that the initial disbursement process was imperfect, the Secretariat had gained confidence that the arrangements were sound and would provide a solid basis for the future. Professor Feachem thanked the World Bank for the two secondments that it had provided in designing the innovative disbursement arrangements.
- The Secretariat had worked through the last few months to narrow and clarify the roles and responsibilities of the Local Fund Agents (LFA). LFAs were now charged with a limited set of duties, primarily in the area of financial oversight, and would take a more flexible approach, taking into account each country's ability to manage funds. Professor Feachem further noted that the Secretariat had engaged four organizations: two from the private sector, one not-for-profit and one public sector entity. He explained that moving forward, the Secretariat would pursue an open, competitive process to select LFAs.
- Systems and staff had been put in place, and the Secretariat had moved into their new offices. At present, the Secretariat employed 65 people from 36 countries, with a diverse mixture of language skills, an appropriate gender balance (55 % female) and a blend of public and private sector experience. Moreover, the sexual orientation of staff members was varied and respected, and people living with HIV/AIDS strengthened the team even further.
- The Secretariat had put into place a number of policies, most significantly a policy on drug procurement that is in the best interest of clients.
- The Board had progressed to a more harmonious, professional and productive set of relationships. In addition, the unfocused Working Groups had been replaced by a Committee structure, and the TRP continued to demonstrate its excellence and dedication.
- Round 2 proposals were of a higher quality, and demonstrated that the Country Coordinating Mechanisms (CCM) were functioning better.

2003: The Make or Break Year

2. The Executive Director noted that the focus of 2003 would be on substantial and measured progress in the three domains which comprise the totality of the Global Fund: raise it, spend it, and prove it.
 - Spending it would be the primary focus of most Secretariat staff during 2003 by completing both Round 1 and Round 2 Agreements and initiating disbursements.
 - The Secretariat needed to know that the recipients of the funds are using them for the intended purposes. The collective efforts of the Primary Recipients, CCMs and development partners would be required to manage, monitor and evaluate the use of the funds.
 - The Global Fund was fully funded through Round 2 and fully unfunded for Round 3. The Global Fund needed USD 6.3 Billion in 2003 and 2004, of which only USD 1.2 Billion had been pledged. While the Fund would continue to rely primarily on the G7 and OECD countries, there was the need to expand corporate and private contributions during 2003.

Vulnerabilities and Challenges

3. The Executive Director stated that the Fund faced substantial vulnerabilities and challenges, including resource mobilization, scaling up the disbursement systems, ensuring that the recipients had the capacity to absorb and use the funds, building effective partnerships, improving the Fund's communications systems and establishing a sound legal status to allow an effective administrative structure.

Conclusion

4. The Executive Director then thanked the following people:
 - his colleagues at the Secretariat for their dedication, energy and good humour through the long and challenging days of the previous year.
 - the NGO and activist communities, partners, donor governments, and the governments and people of the recipient countries.
 - the UN Secretary General, Kofi Annan, whose vision led to the establishment of the Global Fund, and Chrispus Kiyonga, whose leadership from the early days made so much possible.
 - the people living with and affected by the diseases, who have challenged all of us in their demands for a global response.
 - Ed Scott, an American entrepreneur, who handed him a personal cheque for USD 1 Million in Davos.

Summary of Discussions:

5. Delegates expressed their appreciation for the hard work of the Secretariat. However, they further expressed their concern regarding the exclusive use of English in the work of the Secretariat and the length of time it had taken to sign grants. Professor Feachem clarified that most formal documents used by the Secretariat are in all of the official UN languages, and that staff members interact with partners in French, Spanish and Russian as appropriate. He explained that 2002 was a year of learning for the Fund, and that in the future, the Secretariat aimed to sign grants within 3 months of Board approval.
6. Delegates asked whether the Board would be able to engage the G8 at their upcoming meeting in Evian to address the issue of resource mobilization. The French delegate responded that as the French will preside over the upcoming summit, they were in discussions to ensure that issues of development, and specifically the control of AIDS, TB and Malaria would appear on the agenda. However, they would report on their progress in the coming months.
7. Delegates expressed their happiness that the Secretariat had recruited people with HIV, but also expressed concern over difficulties with health insurance due to pre-existing conditions for staff on short-term contracts. Professor Feachem assured delegates that the Secretariat would provide health insurance to people with HIV.

- Delegates expressed concern over the engagement of multinational consulting firms as LFAs, as opposed to local institutions. Professor Feachem responded that in Tanzania, PriceWaterhouseCoopers was 100 percent Tanzanian, and that most multinational firms used primarily local staff.

Agenda Item 7: Committees: Governance and Partnerships

Introduction:

- The Chair referred the delegates to the Report of the Governance and Partnership Committee (Document GF/B4/5), and introduced the Chair of the Governance and Partnerships Committee (Mr. Claudio Spinedi, Italy) to present its report to the Board. The Chair drew attention to the six decision points contained in the report, and advised the Board that each would be reviewed separately. The Committee further suggested that the order be changed to the following: Partnerships, CCMs, Partnership Forum, Constituency, Conflict of Interest and Board Operating Procedures.

Summary of Discussions:

Partnerships (Part 1):

- The Committee noted that after reviewing Annex 5 (Partnerships: Framework and Priorities for the Global Fund), it felt that it needed the following refinement.
 - The initial definition of partnerships included those organizations with signed service agreements, which was felt to be inappropriate.
 - It was felt that the definitions were too prescriptive, and did not include the broad range of partnerships that can be developed at all levels, for example, that NGOs could also be technical partners.
- Delegates expressed their desire to see a final draft of the report before discussing it, which was agreed to by the Committee Chair.

Partnerships (Part 2)

- On the third day of the meeting, the Chair of the Committee on Partnerships and Governance presented the revised paper *Partnerships: Framework and Priorities for the Global Fund* and the related proposed decision point and invited comments from Board Members.
- The Secretariat presented the recently concluded partnership agreement between the Global Fund and UNAIDS.

Summary of Discussions

- Certain Board Members insisted that the paper on partnerships should also mention the importance of partnerships with NGOs within the CCM. One Board Member expressed concerns that the paper was not operational enough to be useful as guidance for the Global Fund's work going forward.

7. The Chair noted that there was no consensus on the first decision point, but suggested that the subsequent two be adopted, as they would allow the Secretariat to continue its work. The Board agreed to this suggestion.

8. UNAIDS made an intervention to support the recently concluded partnership agreement with the Global Fund.

9. WHO reminded the Board of the multiple supportive functions that this organization has performed for the Global Fund, including:

- Administrative Services Agreement
- Stop TB and Roll Back Malaria Technical Partnerships
- Cosponsored the MOU with UNAIDS
- Support at country level.

10. Several Board delegations expressed support for the partnership agreement between the Global Fund and UNAIDS and welcomed continued close collaboration between the two Secretariats. One Board delegation asked why the partnership agreement did not mention support for capacity building. UNAIDS clarified that the agreement with the Global Fund was an understanding in principle rather than on specific interventions involving financial commitments. Some Board delegations made specific suggestions to improve the partnership agreement. Other delegations cautioned against detailed Board involvement in areas where the Secretariat should be empowered to act independently in order to effectively perform its work.

11. The Chair concluded that the Board would not need to approve each partnership agreement entered into by the Secretariat, but would rather continuously provide guidance on the process to conclude such agreements. The Secretariat should provide regular up-dates on its work with partnerships going forward.

Country Coordinating Mechanisms (CCMs):

12. The Committee Chair referred the Board to Annex 6 (Country Coordinating Mechanisms: Operationalizing CCM Basic Principles), which contained a number of recommendations to the Board regarding composition, operations and monitoring and evaluation.

13. Delegates expressed reservations regarding the prescriptive nature of the CCM composition. Specifically, recommendation 5.1.1 was felt to be too restrictive, and would not necessarily reflect unique country characteristics. Several delegates suggested that this list should be aspirational, but not a firm requirement.

14. Professor Feachem noted that as the CCM's composition and operations was critical to the success of the Fund, the Board needed to provide guidance in advance of Round 3. He suggested that the Board approve recommendations 5.2.1, 5.2.4 and 5.3.4, regarding the need for a call for proposals for CCM participation, the selection of the Primary Recipient and a CCM evaluation.

15. Delegates again felt that these requirements were too restrictive, and did not take into account unique country contexts. However, delegates also felt that the ideas contained could be used as guiding principles, and that additional thinking was required on how best to evaluate the CCMs. The Committee was requested to consider these comments, and work directly with the Secretariat and the Chair of the Portfolio and Procurement Committee prior to the Third Round.

Partnership Forum

16. The Committee Chair proposed that the Partnership Forum be scheduled for the first part of 2004, which was unanimously accepted by the Board.

Constituency Processes

17. The Committee Chair referred the Board to Guidelines on Constituency Processes (Annex 4), for its approval. The Board unanimously approved this document as a best practice standard.

Conflict of Interest Policy

18. The Committee referred the Board to Annex 3, Conflict of Interest Policy, for its consideration. In addition, the Committee proposed to appoint a Conflicts Committee and to instruct the Secretariat to appoint an Ethics Officer.

19. Delegates expressed the following concerns:

- The prohibition against gifts should include the provision of gifts, rather than just the receipt of gifts.
- There needed to be clearly defined roles and responsibilities for the agents responsible for ethics.
- There was a need to include political or institutional conflicts of interest, not simply financial conflicts of interest.

20. The Chair suggested that the Board approve the policies as is, and asked the Committee to establish procedures for the points raised by the delegates.

Board Operating Procedures

21. The Chair introduced the revised Board Operating Procedures (Annex 2 of Committee Report) for the Board's consideration. Delegates provided the following comments:

- Before the Board can delegate decision-making authority to the Chair and Vice Chair, the Secretariat needed to investigate the legal implications of this.
- In paragraph B.8, "the Board can change the frequency of meetings when necessary" should be added.
- In paragraph B.10, reference to the three week notification period should be deleted, as the Board has been unable to abide by this. In exceptional circumstances, the three week period could be reduced to two weeks, with the agreement of the Chair and Vice Chair.
- Before C.15, there should be an item on "Order of Business."
- Committee Chairs should recommend its Vice Chairs to the Board, rather than seek approval of appointed Vice Chairs. (Articles 22 and 23)
- The types of decisions that the Chair and Vice Chair could make in between meetings needed to be clarified.
- The procedures for delegating authorities (Article 5) needed to be simplified/clarified.
- Clarification was sought on the number of days members should be informed before special sessions.

22. The Chair suggested that the Board adopt the Board Operating Procedures, with the exception of Articles 22 and 23, as these would be discussed on Friday. As for Article 3, a legal opinion could be sought to ensure that it was consistent with the bylaws.

23. A discussion ensued regarding whether or not the current bylaws were sufficient to allow the Board to delegate authority to the Chair and Vice Chair in between meetings. The Secretariat's legal advisor assured the Board that the bylaws were sufficiently broad to allow this provision. Delegates agreed that the bylaws would need to be revised during the year, and therefore a note should be taken of this for consideration in the future.

24. The Board Member from the SEAR constituency (Dr. Suwit Wibulpolprasert) expressed his great concern that although he strongly supported the decision to delegate authority to the Chair and the Vice Chair of the Board, this decision had not been supported by a commissioned legal study. This study, as required by the Third Board meeting, was to ensure that there was no conflict with the bylaws. In light of the unavailability of independent legal consultation, he had reservations on his commitment to the consensus approval of the decision on revised Board Operating Procedures.

Decisions:

1. Partnership Forum

1. The Board mandated the Committee to work with the Secretariat to develop a comprehensive proposal for the Partnership Forum for discussion and approval at the June Board Meeting.
2. The Board decided, exceptionally, to hold the Forum during the first half of 2004.
3. The Board recommended that the Committee explore linking the Forum with another meeting, preferably a Board Meeting, to minimize costs.
4. The Board requested the Secretariat to research similar events and establish lessons learned (e.g. from GAVI).
5. The Board requested the Secretariat to provide a list of events for 2004 for consideration at the June Board Meeting.

2. Conflicts of Interest

1. The Board adopted the revised Conflicts of Interest Policy as presented.
2. The Board asked the Governance and Partnerships Committee to consider any additional issues submitted by Board Members to the Committee in writing.
3. The Board adopted the revised Disclosure of Interest Form and requested all covered individuals to submit the form by a deadline to be specified.

4. The Board requested the Board Chair and Vice Chair to identify three of its members to form the Conflicts (or Ethics) Committee and mandates the Governance and Partnership Committee to recommend to the Board procedures for its functioning.
5. The Board instructed the Executive Director to appoint an Ethics Officer from the Secretariat.

3. Constituency Processes

1. The Board adopted the Guidelines on Constituency Processes as a useful compilation of best practice.
2. The Board adopted the Constituency Operations Statement as a transparent tool for understanding the processes of stakeholder groups and requested Board Members to complete the statement for their constituency, understanding that this statement will be made public.
3. The Board noted the importance of the role of focal points and supported the facilitation of the attendance of focal points for recipient country constituencies in attending Board and Committee Meetings.

4. CCMs:

1. The Board requested that the Chairs of the Governance and Partnership Committee and the Portfolio and Procurement Committee consult together with the Executive Director to identify inputs on this issue for the Revised Proposal Guidelines for Round 3;
2. The Board requested the Committee to revisit the issue of CCMs, based on inputs from Board Members, and prepare recommendations for the next Board meeting;

5. Board Operating Procedures and Policies:

1. The Board adopted the revisions to the Board Operating Procedures as proposed, except the proposed revisions to paragraphs 22 and 23.
2. The Board recognized the need for a revision of the By Laws and asked the Governance and Partnership Committee and Secretariat to review the By Laws and prepare revised By-Laws for discussion and adoption by the Board at its June 2003 meeting.

6. Partnerships

1. The Board did not approve the approach to partnerships outlined in the partnerships paper.
2. The Board asked the Governance Committee to examine and comment on partnership arrangements negotiated by the Secretariat in light of the framework and present them to the following Board for acknowledgement, or as appropriate, for approval.

3. The Board requested the Executive Director to provide ongoing updates of Global Fund partnership activity in his communications with the Board.
4. The Board takes note with satisfaction of the MOU with UNAIDS.

Agenda Item 8: Committees: Portfolio Management and Procurement

Introduction:

1. The Chair of the Portfolio Management and Procurement Committee (Dr Suwit Wilbolpolprasert) introduced the Committee's report (GF/B4/7) with a description of the Committee's composition and of its mandate. The Chair explained that the Committee's work focused on issues remitted to it from the Third Board meeting, encompassing both procurement and supply management, and portfolio management.

Summary of Discussions:

Procurement and Supply Management

Diagnostics and Other Major Product Categories

2. Board Members unanimously agreed with the importance of developing policies related to diagnostics and other products related to the provision of medicines. By consensus, the Board endorsed the Committee's recommendation to seek advice from the proposed Advisory Panel before the next Board meeting.

Domestic Production

3. The Chair of the Portfolio Management and Procurement Committee presented three options for consideration on domestic production:

Option 1: Recipients should procure products of assured quality at the lower price (no price premium for domestic production)

Option 2: Recipients may establish a price premium of up to 15% for domestic products over imported generics only

Option 3: Recipients may establish a price premium of up to 15% for domestic products

4. The Chair of the Portfolio Management and Procurement Committee presented the disadvantages and advantages of providing a price premium for domestic producers. Disadvantages included: the lack of compelling evidence that price premiums translate into stronger domestic industries; reduced purchasing power by virtue of higher prices; the administrative burden on Principal Recipients; and the concern that this topic exceeds the mandate of the Global Fund. Advantages included: to offset negative impact on domestic producers who may not immediately achieve global economies of scale); increasing competition; the system would be voluntary thus the Principal Recipients could choose not to assume the administrative burden.

5. A survey of donor government and international agencies revealed a mixture of practices, with some (e.g., the World Bank, the European Commission, France, and

the Netherlands) granting domestic preferences, while others (e.g., the UN agencies, the UK, and Switzerland) do not. Some Board Members supported a price premium, arguing that it contributed to sustainable development and would ensure lower prices in the long run. Others Board Members objected that it was outside the Global Fund's mandate and would divert Global Fund resources from beneficiaries.

6. The Secretariat (the Executive Director) indicated that it opposed introducing a price premium system, arguing that it would be counter to the principle of treating the maximum number of people as rapidly as possible, that there was no evidence that it worked, and that it would be difficult to administer and difficult for Local Fund Agents to oversee, possibly resulting in long delays in procurements to be conducted by Principal Recipients.

7. The Chair of the Board recognised that no consensus was possible on the issue and so proposed that the Board vote on it. It was decided to vote on each of the three options in turn. Voting proceeded, with none of the three options receiving a double majority.

8. A number of Board Members noted that the difficulties in securing a majority through voting would promote the formation of consensus positions, although some cautioned that the current system was unwieldy and could lead to deadlocks on significant issues.

Exemption from Duties, Tariffs and Taxes

9. The Board endorsed the recommendation of the Portfolio Management and Procurement Committee that the current policy on duties, tariffs, and taxes be moderated, with a view to ensuring that non-governmental organisations are not disadvantaged and discouraged from acting as Principal Recipients.

PSM Advisory Panel (and other outstanding Procurement Issues)

10. All outstanding topics were discussed as part of a single decision point, in which the Board was asked to endorse the decisions of the Portfolio Management and Procurement Committee regarding the creation of an Advisory Panel. All discussion focused on the creation and composition of the Procurement and Supply Management Advisory Panel. Some Board Members queried whether the proposed Advisory Panel contained the requisite expertise and whether its composition was decided upon with sufficient consultation.

11. The Chair and Vice Chair of the Committee, and the Secretariat all stated that the composition of the Advisory Panel had been the subject of considerable discussion and consultation, and declared themselves satisfied with the result.

12. The Board endorsed the Committee's recommendations. The USA constituency registered its dissatisfaction about the composition of the Advisory Panel but did not object to the consensus.

Portfolio Management

Technical Review Panel Renewal

13. Following a presentation of the consensus recommendations on the renewal of the Technical Review Panel (TRP), Board Members raised a number of issues about the size, composition (including regional and gender balance, and the participation of staff of multilateral institutions), and skills mix (including the balance of members with cross-cutting and disease-specific expertise, and of new and continuing members) of the proposed TRP.

14. The Board reached consensus that the proposition represented an acceptable compromise, including on the issue of allowing staff of multilateral institutions to serve as TRP members. The Chinese delegation, representing the Western Pacific Region, registered an objection to the recommendation that the current Chair and Vice Chair of the TRP retain these roles, stating its strong preference that the TRP be allowed to choose its own Chair and Vice Chair.

Revising Eligibility Criteria

15. The Chair of the Committee presented the recommendations both on a temporary solution for eligibility criteria for Round Three, and a proposed approach for subsequent rounds. In Round Three, all countries classified as “Low” income by the World Bank would be eligible for full financing; all countries classified as “Lower-Middle” income by the World Bank would be eligible but must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources; and countries classified as “Upper-Middle” income by the World Bank would be eligible only if they face very high current disease burden, and must also meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources. For a more permanent solution, the Committee recommended adopting a matrix that divides countries by poverty and “disease-related need” (which encompasses both current burden of disease and future growth potential or vulnerability).

16. Discussion focused on three distinct areas:

- a. Whether it was appropriate for the Global Fund to be restricting eligibility criteria at this stage and whether countries or populations should be considered eligible;
- b. Which criteria should be used for discussions of eligibility and which data sources for those criteria;
- c. Whether the particular thresholds chosen by the Portfolio Management and Procurement Committee for the Third Round were appropriate.

17. The majority of Board Members endorsed the Committee’s approach, agreeing that the current list of eligible countries needed to be narrowed, that both poverty and disease-related need should be used as criteria, and that the thresholds identified by the Committee were appropriate for Round Three. A minority of Board Members expressed concerns, including: whether populations should be eligible rather than countries; whether both poverty and disease-related need should be used as criteria or exclusively the former; whether the OECD classification system was preferable to the World Bank system; and whether all Upper-Middle income countries should be eligible.

18. The Secretariat commented that while the proposals-driven process had proven a success to date, there was a need for a greater poverty focus, and so endorsed

introducing additional eligibility criteria (particularly in view of the fact that including Upper Middle income countries would allow EU member states to receive funding); concern was expressed about the eventual use of a matrix, particularly given the weakness of data systems (around measuring burden and, especially, vulnerability).

Identifying the Most Needy and Poorest Countries and Ensuring They Are Not Systematically Excluded

19. The Committee Chair began by discussing the importance of identifying the most needy and poorest countries and ensuring that they are not systematically excluded from financing, but stated that the work had not yet been completed. He distributed a list of needy (in terms of current HIV disease burden) and poor countries that have yet to receive funding from the Global Fund but noted that lists were not yet available for tuberculosis and malaria.

20. Board Members, joined by the Secretariat, stressed the importance of this topic, agreeing that identifying mechanisms to ensure that needy and poor countries are not excluded from funding must be a priority. Board Members noted the need for increased technical assistance and highlighted the central role that Global Fund partners must place in responding to this issue. Several Board delegates also noted that NGOs in a number of countries had been excluded from financing, and that this problem also needed to be addressed.

Setting Upper and Lower Limits on Proposals

21. The Chair of the Committee presented the recommendations on this topic, but noted that it had been impossible to reach consensus on it, which is reflected in the fact that the Committee presented two options on lower limits.

22. A number of Board delegates opposed the recommendations. Some objected to the idea of setting upper and/or lower limits on proposals, advancing the following objections:

- a. that upper limits were counter to the spirit of the Global Fund and would adversely impact resource mobilisation or did not sufficiently take into account countries with large populations
- b. that lower limits would preclude proposals that have considerable benefits (particularly in small countries) and might create an incentive to inflate the size of applications and that the lower limit was too high and would unfairly exclude non-CCM proposals.

23. Further, some Board Members noted that the recommendation does not address whether multiple proposals could be submitted (in the same Round or in consecutive Rounds), thus potentially creating an incentive for the submission of more, smaller proposals, rather than the stated goal of comprehensive proposals.

24. Other Board Members endorsed the Committee's recommendations, contending that:

- a. the Global Fund's resources are not unlimited and so upper limits are necessary and that not setting limits is unfair to countries (especially as relates to questions of absorptive capacity), it was noted that the limits proposed would have excluded almost no proposals recommended in Rounds One and Two

- b. lower limits are needed both to ensure that the cost of processing the application do not exceed the value of the grant and to support the Global Fund's mandate of focusing on scaling up programs with national reach since other funding sources are available for small proposals.

Recourse Mechanism (Appeals Procedure)

25. The Committee Chair introduced this topic by noting both its importance and its complexity, which is reflected in the fact that the Committee discussed five possible approaches. The Committee had nonetheless reached near-consensus on a "mixed" option, in which a panel with experts recommended by WHO, UNAIDS, and the World Bank, as well as with TRP members would review appeals exclusively in the case of proposals that had not been recommended in two consecutive rounds. This would be conducted within a tight timeframe and based on information contained within the original applications (rather than new material). Final approval would be given by the Board via email.

26. Board Members voiced considerable support for the concept of a recourse mechanism but expressed some concerns that the recommendation was not precise enough and that it did not set the bar for appeals high enough. Some argued that non-CCM applications that had been screened out prior to the TRP review should also be eligible for appeal. A number of Board delegations noted that the existing text was inappropriately limited to CCM proposals, and by consensus clauses were added to the decision that allowed non-CCM proposals originally deemed eligible to appeal without CCM endorsement.

27. The Secretariat argued that the proposal would be very difficult to operationalise and that it would be unnecessary in view of new efforts from the Secretariat to ensure that countries that have been rejected multiple times receive support in the process of proposal preparation.

28. By consensus the Board endorsed the option recommended by the Committee, with immediate effect. The USA delegation registered its objection to the possibility that staff of multilateral organisations could serve on the Appeals Panel.

Additional Issues

29. The Board agreed to the need to extend the mandate of the Portfolio Management and Procurement Committee to the end of 2003

30. It further agreed that the Committee should revise the Guidelines for Proposals for the Third Call for Proposals and send the revised Guidelines to the full Board for acknowledgement.

Decisions:

A. Procurement

1. The Board approved the PMPC recommended that the PSM Advisory Panel consider necessary policies for the Global Fund related to the procurement of diagnostics and other products related to the provision of medications. Until such policies are adopted at the Fifth Board Meeting, existing national or institutional

practices should govern the selection and procurement of such products by Fund grantees.

2. The Board took a vote on the options on domestic production as proposed by the PMPC and discussed in GF/B4/7. No options were approved by a two thirds majority vote.

Option 1: Zero Price Premium

Donors: Yes: 7 No: 2

Recipients: Yes: 2 No: 6 Abstain: 1

Option 2: 15% Price Premium over the lowest price imported generics

Donors: Yes: 1 No: 7 Abstain: 1

Recipient: Yes: 0 No: 8 Abstain: 1

Option 3: 15% Price Premium over lowest imported product

Donors: Yes: 2 No: 6 Abstain: 1

Recipients: Yes: 6 No: 2 Abstain: 1

3. The Board approved the recommendation to amend the policy adopted on exemption on duties, tariffs and taxes to allow, but not to encourage, that Fund resources be used to pay possible product duties, tariffs and taxes. The amended policy should read as follows: "The Fund strongly encourages the relevant national authorities in recipient countries to exempt from duties and taxes all products financed by Global Fund grants and procured by NGOs or any other Principal Recipient or sub-recipient." The Secretariat was asked to monitor the impact of this revision, and report to the Board when sufficient information is available.
4. The Board acknowledged PMPC's decisions 4.a – 4.i (ref. pgs 6-10 of GF/B4/7).
 - a. The PMPC has agreed to the creation of a PSM Advisory Panel, according to the Terms of Reference in Part 1 Annex II, to provide technical advice to the PMPC as required;
 - b. The PMPC has agreed to consider the subject of product quality monitoring processes, on the basis of both WHO input and advice by the PSM Advisory Panel, and make appropriate recommendations to the Fifth Board Meeting;
 - c. The PMPC has agreed to consider how the Global Fund should ensure the assessment of NDRA recognized laboratories for product quality monitoring, drawing on the advice of the PSM Advisory Panel, and make appropriate recommendations to the Fifth Board Meeting;
 - d. The PMPC has agreed to consider potential PSM-related conflicts of interest based on advice of the PSM Advisory Panel and make appropriate recommendations to the Fifth Board Meeting;
 - e. The PMPC has agreed to approve the importance of capacity building for procurement and supply management as proposed by the PSM Task Force and request the Secretariat to ensure that information on the subject be made available to potential grantees and Principal Recipients;

- f. The PMPC has agreed on the Terms of Reference for a Pricing Reporting Mechanism design study, as attached in Part 1 Annex III, and has directed the Secretariat to commission this study so that the PMPC can examine the results and make a recommendation to the Board.
- g. The PMPC has agreed to refer the issue of the direct payment of suppliers to the Secretariat, with further analysis by the Advisory Panel as necessary;
- h. The PMPC has agreed to refer the issue of product prices used for budgeting proposals to the Secretariat for operationalization, with further analysis by the Advisory Panel as necessary;
- i. The PMPC has agreed to consider issues related to in-kind contributions, if they are considered eligible by the Board of the Global Fund for resource mobilization, based on advice from the PSM Advisory Panel and make appropriate recommendations to the Fifth Board Meeting;
- j. The PMPC has agreed to consider the previous recommendation made to the Third Board Meeting on the issue of international and national law, based on advice from the PSM Advisory Panel and make appropriate recommendations to the Fifth Board Meeting;
- k. The PMPC has agreed to consider the previous recommendation made to the Third Board Meeting on the issue of supply chain management, based on advice from the PSM Advisory Panel and make appropriate recommendations to the Fifth Board Meeting.

B. Portfolio Management

1. TRP Renewal

1. The Board approved the PMPC recommendations below which were made in order to ensure the sustainability and continuity of the TRP and to have a good proportional balance among the different experts:
 - a. TRP membership should be expanded from 22 to 25 members, by adding 3 cross cutting experts;
 - b. The new membership should consist of 11 cross-cutters, 7 HIV/AIDS experts, 4 Malaria experts and 3 TB experts. While there is to be a maximum of 25 members of the TRP and 11 members must be cross-cutters, the chair and vice chair of the TRP may, at their discretion, adjust the number of experts from the different fields of disease expertise, with reference to the proposals submitted and the needs of the TRP;
 - c. The current Chair and Vice-Chair retain their positions as Chair and Vice-Chair and the 5 members who joined for Round 2 retain their positions on the panel on a voluntary basis;
 - d. The remaining 18 seats be filled through an open, transparent, criteria-based selection process;
 - e. 7 of the seats be reserved for original members who may reapply (assuming 7 or more of them do so). If more than 7 reapply, those performing best against the criteria will be selected;
 - f. Members of the Secretariat are ineligible to serve as TRP experts;
 - g. Board/Alternate/Focal Points and CCM members must stand down from these roles if selected;
 - h. Members would serve in their personal capacities;
 - i. A qualified member from the PLWA (Persons Living with AIDS) community should be actively recruited among applicants;

- j. Following TRP renewal, approximately one-third of the TRP members will be rotated each year. Members appointed from 2003 onwards will be appointed to serve a term of three years;
- k. By April 2003, the PMPC and the Executive Director will recommend to the Board the candidates for the TRP for approval. The PMPC may decide to call on external and/or multi-lateral agencies (WHO, UNAIDS, World Bank) for assistance as required;
- l. By the 3rd round of TRP 64% of the TRP members will be new in comparison to the TRP appointed in March 2002;
- m. TRP members must not attend Board or Committee meetings as members of their constituency.
- n. Staff from multilateral organizations will be allowed to serve on the TRP in their personal capacities.

2. Revising Eligibility Criteria

1. The Board approved the following recommendations regarding the revision of eligibility criteria:

- a. Poverty and disease-related need (which encompasses both current disease burden and risk of growth) are the criteria that will be used to determine eligibility to apply for financing from the Global Fund.
- b. For the Third Round of applications to the Global Fund:
 - i. Countries classified as "Low Income" by the World Bank are fully eligible to apply for support from the Global Fund;
 - ii. Countries classified as "Lower-Middle Income" by the World Bank are eligible to apply for support from the Global Fund but must meet additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources;
 - iii. Countries classified as "Upper-Middle Income" by the World Bank are eligible to apply for support if they face a very high current disease burden and they meet the additional requirements, including co-financing, focusing on poor or vulnerable populations, and moving over time towards greater reliance on domestic resources. For Round Three these were identified as Barbados (HIV); Botswana (HIV, TB, Malaria); Gabon (HIV, TB, Malaria); Panama (HIV); Trinidad and Tobago (HIV).
 - iv. Countries classified as "High Income" by the World Bank are not eligible to apply for support from the Global Fund;
- c. For the fourth and subsequent Rounds of applications to the Global Fund, WHO and UNAIDS will be asked to provide matrices categorizing countries based on disease-related need and poverty. These matrices could be used as the basis for categorization of eligible countries for each disease and will be presented to the Fifth Board meeting for consideration for use beginning with the Fourth Round of applications to the Global Fund.

3. Identifying Neediest and Poorest Countries

1. The Board approved the recommendation that while the methodology for identifying the neediest and poorest countries is being developed, the Secretariat will supply information on needy and poor countries that have not received funding in Rounds 1 and 2 to partners to encourage them to support these countries in the process of applying to the Global Fund
2. The Board approved the recommendation that for the Fifth Board meeting, the PMPC would provide recommendations on mechanisms for ensuring that the neediest and poorest are not systematically excluded from funding.

4. Setting upper and lower limits on proposals

1. The Board encouraged the Secretariat, working with the Portfolio Management and Procurement Committee, to include in the revised Guidelines for Proposals for the Third Round language regarding the preferred scale of grant applications. This should provide guidance to applicants to ensure that proposals are neither excessively large, in view of both national programmatic capacity and the limited resources of the Global Fund, nor excessively small, in view of both the Global Fund's goal to scale-up country responses and the administrative costs of processing applications.
2. The Board did not approve the PMPC recommendation on upper and lower limits.

5. Recourse (Appeals) Mechanism

1. The Board agreed that criteria for a recourse mechanism, a timeline and the details of the appeal panel needed to be specified by the Secretariat, based on the recommendations of the PMPC, and announced as soon as possible.

6. Contextual Information to TRP

1. The Board deferred the request from the PMPC to acknowledge the need for increased contextual information to support the Technical Review process. The PMPC should do further work on this issue and present its findings to the Board.

7. Additionality

1. The Board deferred the request from the PMPC to acknowledge the need for clarification of what the Global Fund means by "additionality". The PMPC should do further work on this issue and present its findings to the Board.

8. Extension of Mandate

1. The mandate of the PMPC was extended to the end of 2003.

9. Guidelines for Proposals

1. The Board approved the request to allow the PMPC to revise the Guidelines for Proposals for the Third Round without further endorsement from the Board.

Agenda Item 9: Round Two TRP Results and Decisions

Introduction

1. The Chair of the Technical Review Panel, Professor Michel Kazatchkine, presented the Report of the Secretariat and the Technical Review Panel on Round 2 Proposals (GF/B4/9) and introduced the recommended decision points. The report provided the Board with an overview of the Round 2 proposals process, the TRP recommendations for funding as well as lessons learned from the process. The lessons learned requested the Board to consider not approving final budgets but rather an upper ceiling to be negotiated between the applicant and the fund during the grant phase; requested the Fund to act pro-actively to help countries most in need; and questioned the viability of joint HIV/TB components.

Summary of Discussions

2. The Secretariat, the Chair and delegations expressed strong appreciation of the excellent work of the TRP, some commenting that this session was the real work of the Global Fund and that all other decisions led towards this ultimate goal. It was highlighted that in the structure of the Fund only the TRP members had the scientific qualifications and experience necessary to make decisions on the technical merits of the proposals.

Quality Issues

3. While Board Members supported the work of the TRP they raised a number of concerns regarding the quality of proposals. In order to improve proposal quality, delegates suggested that proposals should focus more clearly on how they align with national, sectoral and PRSP strategies, provide more contextual information, particularly on the functioning of health systems, as well as the level of country commitment and absorptive capacity. There should be a stronger focus on feasibility, sustainability and risk management.

4. Some delegations queried the period of six months provided to CCMs to complete clarifications and that this timing might limit submission to the next round. Members also suggested that budget experts might assist the TRP in assessing the viability of proposal budgets, leaving the TRP more time to focus on technical matters.

5. A number of delegations suggested that partners should look more carefully at why joint HIV/TB proposals were not succeeding rather than discouraging their submission. While some delegates raised the issue of the how the GF could leverage human resources in countries with weak capacity, other requested that partners, including bi-laterals and NGOs, make a concerted effort to provide technical assistance to CCMs to ensure that quality proposals were provided to the TRP.

6. The Chair of the TRP responded that the TRP considered the issue of compatibility with National Strategic plans very carefully; however what the TRP needed was more information about the success rate and achievements reached within the national frameworks. Further, he stated that the TRP considered that every HIV/AIDS proposal should contain a TB component and that this would be more effective than writing a separate HIV/TB application. He stated that proposals which were not comprehensive needed to explain how the missing elements were being implemented in country and provide evidence of their success.

7. It was further explained that it had taken six months to finalize clarifications in only a couple of outstanding cases, most issues from Round 1 has been clarified by CCMs within the six week period.

8. The Secretariat pointed out that it is the CCM and partners who prepare the proposal and that the GF depended on the CCM, with technical assistance from partners in-country, to ensure that proposals submitted for review are of good quality, addressed the factors of feasibility, sustainability and risk and closely aligned with national strategies and donor programs.

Poverty Focus

9. A number of Board Members raised concerns regarding the poverty focus and the necessity for a commensurate domestic financial input to be demonstrated in proposals. It was suggested that a classification or matrix of the neediest countries balancing poverty and disease burden should be considered for future rounds.

TRP Grading

10. Some delegations expressed concern that the rating process of the TRP was not transparent, specifically that some proposals with positive ratings had not been recommended for funding. Further it was suggested that there were discrepancies between the TRP Review Forms and the Final summary that had been provided to Board Members by the Secretariat on the CD-ROM.

11. The TRP Chair explained that it had been very difficult to comply with the Board recommendation to give a quantitative score to proposals and that the TRP members had decided to use a qualitative scoring system instead. The TRP recommendations were provided in the last sentence of the Executive Summary and the "Strengths and Weakness" box of the recommendations. He requested the PMPC to work towards improving the proposal forms and with the TRP to improve the TRP recommendation and rating system.

12. The Secretariat clarified that it was Annex 4 of the CD-Rom that contained the TRP review forms and explained that any discrepancy could be the result of the TRP final review of all proposals during the last day of their meeting when TRP members changed some country's category. Annex II captures the summary of these final recommendations.

Regional Breakdown

13. Some delegations expressed concern regarding the poor success of proposals from the Asian region. The poor success rate of regional proposals was also highlighted, with particular emphasis given to the difficulty of arranging CCM endorsement in a number of countries.

14. As requested, the Chair of the TRP provided the gender breakdown of the TRP, 15 men and 7 women. He explained that regional proposals were subject to intensive debate in the TRP. Most regional proposals were not able to demonstrate their cost effectiveness or added value versus the country approach. He suggested that the Secretariat undertake an analysis of the success of regional proposals and provide feedback to the Board.

NGO Issues

15. Delegates emphasized their concern regarding the number of non-CCM proposals screened as ineligible and that frequently discriminated populations could only be reached through NGO networks. The importance of including treatment in proposals was highlighted and in-country partners were requested to ensure the treatment was included in all proposals.

16. WHO explained that it had been difficult to provide the input requested by the TRP based on the proposal provided. For Round 3 they would work more closely with in-country networks to supply contextual information. They supported the suggestions of requesting more country-context information in proposals and the addition of more cross-cutting experts to the TRP team.

Budgets

17. Delegates agreed that budgets approved for Round 2 would be upper ceilings with the final budget amount to be negotiated by the Secretariat prior to Grant Agreement signature. A suggestion that the Secretariat inform the Board of the final budget amount prior to grant signature was considered non-viable and delegates agreed that the Board would be informed of the final budget after the Executive Director had signed each grant agreement.

18. During the discussions the Secretariat was requested to:

- a. Re-examine non-CCM proposals screened as ineligible to check against eligibility criteria
- b. Provide a breakdown of Round 2 financial allocations in Eastern and Southern Africa and in West and Central Africa
- c. Provide a list of countries in greatest need
- d. Provide a list of CCMs in need of technical assistance to prepare proposals
- e. Provide for Round 2 a financial breakdown by TRP categories and volume of proposals
- f. Draft Lessons Learned on what it takes to scale up programs.

19. Ensure that the revised Proposal Guidelines include:

- a. Clear guidance on the importance of the provision of country-specific contextual information, including how the proposal fits within the national programs and strategies and the functioning of the national health system;
- b. Improved guidance on monitoring and evaluation requirements;
- c. Improved guidance on integrated proposals;
- d. Guidance that TB and HIV proposals should indicate how they will interact with the other disease;
- e. Clearer information on ARVs and Treatment;
- f. Improved guidance on how to address additionality;
- g. Information to applicants regarding the 6 week deadline to reply to the TRPs request for clarification.

Decisions:

1. The Board approved for funding, proposals recommended by the Technical Review Panel as reflected in the summary contained in Annex II attached to the present decision document (as Annex 2), according to the categories listed below, with the clear understanding that budgets requested are upper ceilings rather than final budgets and the Secretariat should report to the Board the results of the negotiations with the Principal Recipient on the final budget for acknowledgement (See Annex 2).
 - a. **Category 1:** Recommended proposals with no or minor modifications, which should easily be answered within 6 weeks and given the final approval by the TRP Chair and Co-Chair.
 - b. **Category 2:** Recommended proposals provided clarifications are met within a limited timeframe (6 weeks for the applicant to respond, at most 6 months to obtain the final TRP approval should further clarifications be requested). The primary reviewer, secondary reviewer as well as TRP Chair and /or Co-Chair need to give final approval.
 - c. **Category 3:** Not recommended in its present form but strongly encourage to re-submit.
 - d. **Category 4:** Not recommended for funding.
2. The Board acknowledged the lessons learnt of the Secretariat and the TRP during this process and allow adequate measures to be taken to improve Round 3.

Agenda Item 10: Monitoring and Evaluation, Finance and Audit

Introduction:

1. The Chair of the Committee for Monitoring, Evaluation, Finance and Audit (MEFA), Dr. Anders Nordström, reported on the outcomes of the Committee's meetings, covering the following topics: 2003 Secretariat Work plan and Budget, Travel Policy, Secretariat Procurement Policy, Fiduciary Arrangements, and Monitoring and Evaluation.
2. MEFA recommended that the Board should approve the Secretariat's Workplan and Budget for 2003 and give the Committee the mandate to report back to the June Board meeting on performance and cost developments. Additionally, MEFA requested authorization from the Board to review the Trustee arrangements. After having reviewed the cost implications of different options, MEFA recommended that the current Travel Policy, in line with WHO rules and regulations, should be maintained.
3. MEFA welcomed the basic principles of the proposed Secretariat Procurement Policy. The Committee suggested that the Secretariat should report back on how many contracts would be awarded based on a competitive procedure, and how many would be awarded based on sole sourcing. As mandated by the October Board meeting, a sub-group of MEFA members, under the leadership of the Committee Vice-Chair, Ms. Milly Katana, had investigated two specific procurement cases and

provided a report on their findings (which was issued as GF/B4/8a Supplemental Report of the Monitoring, Evaluation, Finance and Audit Committee).

4. MEFA's discussions on Fiduciary Arrangements covered the full scope of this unique model of the Fund, from CCM supported proposals, to LFA arrangements, to results based disbursement and ongoing monitoring and evaluation. In particular, during their first meeting, MEFA focused on issues related to the Local Fund Agents (LFAs), especially their role, their fees and selection criteria and procedure. A competitive tender is being recommended for Round 2 proposals to arrive at a wider menu of cost-effective LFA options. CCMs should be provided the opportunity to indicate their LFA preferences based on a list of qualified LFA options, while the Secretariat maintains the accountability for the final decision in selecting the LFA. Going forward, MEFA will continue to monitor the LFA arrangements against the Global Fund's broader fiduciary considerations, and continuously provide guidance to the Secretariat on how to balance accountability against minimizing extra administrative burdens for recipient countries. MEFA will also continually assess the LFA fees and provide input into the competitive tender for Round 2 proposals. At the next Committee meeting, MEFA will discuss a conflict of interest policy for LFAs.

5. MEFA had stressed the need to arrange for an independent audit for the Global Fund's annual financial statement. The Secretariat will draft Terms of Reference for the audit work and recommend a list of bidders, to be reviewed and approved by MEFA. MEFA will also provide input into the selection process and recommend to the Board an external auditor. The Board will be asked to approve via email the MEFA Committee's recommendation on an external auditor and direct the MEFA Committee to review the findings of the audit and report to the Board at its June meeting.

6. At its next meeting, MEFA will provide input into the content of the Global Fund's first annual report.

7. MEFA had initiated discussions on the Global Fund's Monitoring and Evaluation plan, and will continue these discussions at the next Committee meeting, with the outcome being a recommended M&E strategy and plan to the Board at its June meeting. Also at this next committee meeting, the need for a separate monitoring unit will be discussed.

Summary of Discussions:

Travel Policy

8. The Travel Policy was adopted as proposed. One Board Member expressed the expectation that individuals should voluntarily avail themselves for the most economical travel alternative.

Procurement Policy

9. On the proposed Procurement Policy, the WHO delegate suggested that it would be difficult for WHO to carry out procurement for the Global Fund Secretariat, as mandated by the administrative services agreement, since the suggested procurement policy in some instances departed from WHO policies (paragraphs 4, 5 (a, f, b), and 13 of GF/B4/8, Annex IV).

10. The Secretariat clarified that the Global Fund's lawyers had confirmed that the proposed procurement policy fully covered the Global Fund's needs. The Secretariat noted that the current procurement practices implied significant contracting delays for the Global Fund with subsequent negative operational implications. The MEFA Chair confirmed that the Committee had reviewed transparency concerns, and recommended to the Board to adapt the proposed procurement policy.

11. Several Board Members expressed the preference that the Global Fund's procurement policies should be mutually agreeable to the Global Fund and WHO Secretariats, while recognizing that there may be reasons for the Fund's policies not to be identical to those of the WHO. It was recognized that sole sourcing may be the most appropriate in some instances. It was decided that the two Secretariats should continue their discussions, and present the results to the next MEFA meeting. One Board Member expressed the expectation that WHO should attempt to expedite current processing of contracts as rapidly as possible.

LFA Arrangements

12. Delegations posed questions related to the current LFA arrangements, including LFA candidates, selection procedures and criteria, fees, appropriate skills and the plan to organize an open competitive procedure. Delegations stressed that the costs of the LFA arrangements should be kept as low as possible, requesting full disclosure of the LFA fees. Questions were raised regarding the possibility for the World Bank and the regional development banks to assume the LFA role. Some delegations stressed the importance of considering country preferences in the LFA selection, as well as of aligning the Global Fund's fiduciary arrangements with existing local practices and donor harmonization efforts. Other delegations noted that the core function of the LFAs arrangement should be to provide independent verifications of accountability.

13. The Secretariat stressed that the Second Round disbursement process should not be delayed by the open competitive procedure to contract LFAs. Rather, disbursement arrangements should proceed as quickly as possibly according to current practices, while the results from the open competitive LFA selection procedure would be phased in for Rounds 2 and 3. This competitive procedure should also leave room for local LFA solutions. The Secretariat clarified that the current LFAs had proved successful in sub-contracting where they did not fully possess the necessary skills for the work, notably in the case of procurement. It was pointed out that current LFAs' offices in-country were mostly staffed by local staff members. The Secretariat mentioned that discussions will continue with the World Bank about the LFA role, but that neither side was convinced that the Bank would be ideally suited for the LFA work apart from in exceptional cases. All of the Regional Development Banks had been requested to consider the LFA role, but none of them had offered to assume LFA responsibilities to-date.

14. The Board raised a question regarding rumours about a civil suit towards one of the firms providing LFA services. The Secretariat noted that it had received additional information from the firm in question should any Board Member wish to review it.

15. Delegations noted that there are certain crucial and unique aspects of the Fund that needed monitoring, and especially highlighted the concept of additionality, the functioning of CCMs and sustainability.

16. The Board decisions on LFAs proposed by MEFA were adopted. The Committee was requested to take account of the concerns and opinions raised in its future work.

Decisions:

A. 2003 Work Plan and Budget

1. The Board approved the 2003 Secretariat Work Plan and Budget as presented in Board Document GF/B4/11.
2. The Board deferred the decision on directing the MEFA Committee to review the performance of the Secretariat on the 2003 Work Plan and Budget, until the agenda item on GF/B4/11.
3. The Board directed the MEFA Committee to review the trustee agreement and performance and direct the Secretariat to negotiate new terms and fees for the trustee based on emerging Global Fund needs.

B. Travel Policy

1. The Board agreed that current numbers of Board delegates from recipient countries, NGO's and Communities Living With the Diseases offered funding by the Secretariat for travel should be maintained.
2. The Board agreed that class of air travel guided by the current Secretariat travel policy and consistent with the WHO policy on class of air travel, should be continued with emphasis placed on using the most economical available fares within those policies.

C. Procurement

1. The Board decided that the Secretariat Procurement Policy should be deferred until the next Board Meeting. The Secretariat was requested to discuss the policy with WHO in an attempt to reconcile the difficulties identified by WHO. The policy should be reviewed by the Committee before it is resubmitted to the Board.
2. The Board requested the Secretariat to urgently put in place contracting guidelines; contracting review and documentation processes; and comprehensive conflict of interest policies.
3. The Board decided that until the Board agrees to its own policies and procedures on procurement of goods and services for the Secretariat, the Fund Secretariat should abide by the spirit and letter of the policies and procedures of WHO in these matters.
4. The Board decided that the rights of Board Members to ask questions on any contracting issue on which they desire information and clarification should be affirmed within the Board Operating Procedures. The process for addressing inquiries of Board Members on contracting matters should be elaborated within the Board Operating Procedures.

5. The Board directed the Secretariat to provide the MEFA Committee with an independent consultant remuneration scale at their next meeting.

D. Fiduciary Arrangements

The Board acknowledged the evaluation of the Global Fund fiduciary arrangements undertaken by the Committee and directed the MEFA Committee to continue to improve the Fund's fiduciary arrangements that should include reviewing LFA performance and fees, developing an LFA conflict of interest policy, together with the Governance and Partnership Committee, and report on the results of the Round 2 LFA selection. These actions should be reported to the Board in June 2003.

E. Monitoring and Evaluation

1. The Board directed the Secretariat to draft a Monitoring and Evaluation Plan, which will be reviewed by the MEFA Committee and presented to the Board for approval by the June Board meeting.
2. The Board directed MEFA to recommend to the Board for approval a qualified external auditor to audit the Global Fund's financial statements in time to report the audit findings at the June 2003 Board meeting.
3. The Board directed MEFA to discuss the advantages and disadvantages of an independent Monitoring and Evaluation unit versus the use of external auditors to assure objective evaluation and recommend to the Board the preferred method for independent review.

Agenda Item 11: Secretariat Budget and Workplan

Introduction:

1. The Secretariat presented the 2003 Work Plan and Budget. Priorities for the year included:
 - a. Managing the proposal process,
 - b. Mobilizing additional resources,
 - c. Communication with different stakeholders,
 - d. Further stabilizing the Global Fund's architecture and policies, including the LFA arrangements and M&E plan,
 - e. Working with partners to ensure that the countries in greatest need have access to Global Fund resources,
 - f. Managing an efficient and effective secretariat with all Secretariat members on board at year's end.
2. Each priority had defined expected end products. The Secretariat would stay focused on these end products and adjust the workload accordingly. It was noted that the revised 2003 budget reflected a USD 2.2 million reduction as compared to the budget proposed at the October Board meeting.
3. The Board approved the 2003 Work Plan and Budget.

Summary of Discussions

3. Several delegations expressed appreciation for the clarity of the revised work-plans and the reductions in the revised 2003 budget. Delegations expressed appreciation for the reduction in high-level staff positions, and cautioned against future staff increases. Certain delegations suggested that the Secretariat should use temporary rather than permanent staffing solutions to the extent possible during periodic peaks in work-load. One delegation requested additional information on consultancy remuneration schemes and suggested that a ceiling should be established. It was agreed that remuneration levels would be discussed within the MEFA Committee. One delegation expressed concern for lack of nationals from the Western Pacific Rim in current Secretariat staffing and expressed hope that a better balance would be accomplished in the future.

4. The Secretariat reinforced the recruiting team's strong commitment to staff diversity, and referred to a paper detailing the current national diversity of the Secretariat. Secretariat will seek to address any imbalances going forward.

5. The Secretariat noted that as a result of the Board's decisions to approve grants for the Second Round, the Global Fund will now support 160 programs in 85 countries, and that total operating costs will make up five percent of funds under management. The Secretariat further noted that staff could not possibly attend all meetings they get invited to, given the staff levels and anticipated workload and asked for the Board's understanding in this regard.

6. A Board Member asked if there were contingency funds built into the 2003 budget to cover inevitable and unexpected emergency occurrences. There are no contingency funds built into the budget.

Decisions:

1. The Board approved the Global Fund work plan and budget for 2003 with the proposed changes as presented in Part 2 of this report, with the understanding that some degree of flexibility is required in the specific allocation of resources during the year.
2. The Board requested the MEFA Committee to continuously work with the Secretariat to monitor budget implementation in relation to priority and end product accomplishment and report to the Board on budget performance semi-annually.
3. The Board requested the Secretariat, with MEFA Committee approval, to adjust this approved 2003 budget to reflect decisions made at the January 2003 Board meeting if those decisions impact the 2003 budget.

Agenda Item 12: Trustee report

1. The World Bank provided a report on its Trustee work. It was noted that the Global Fund and the World Bank had agreed in May 2002 to proceed with a limited Trustee role focused on management and disbursement of funds. Beyond these specific functions, the World Bank had also provided technical advice on issues related to the

Global Fund's fiduciary arrangements, notably through a four-month secondment of a financial expert. To-date, the USD 81 million of the funds in the Trustee Account had been committed for signed grant agreements.

2. Two delegations had specific questions regarding the tables attached to the Trustee Report. These questions were clarified by the Bank delegation.
3. The World Bank asked that they be invited to the next MEFA committee meeting and to make routine Trustee reports to the Board.

Agenda Item 13: Developed Country NGO Announcement

1. The Chair noted that the Developed Country NGO Board Member had asked to say a few words. The Board Member, Dr Christoph Benn, announced that the terms of the Delegate and the Alternate ended that day. On behalf of himself and Peter Poore, the outgoing alternate, he expressed his appreciation of the experience of serving on the Board and assured the Board of their continued commitment to supporting the work of the Global Fund. He pointed out that in order to find replacements the constituency had held a transparent and widely consultative process and he introduced the newly elected Board Member, Ms. Helene Rossert-Blavier of France, and the Alternate, Dr. Massimo Barra of Italy. The Board Member representing the Communities Living with the Diseases also introduced their new Alternate, Mr. Rodrigo Pascal of Chile, who was elected during the same process.
2. On behalf of the Board, the Chair welcomed the new Members.

Agenda Item 14: Election of the Chair and Vice Chair of the Board

Introduction:

1. The Chair announced the item on the Election of the Chair and Vice Chair of the Board. The Secretariat then introduced the proposed election procedure for the Board Chair and Vice Chair applicable to that day, as the Governance and Partnership Committee had been tasked to develop procedures for future elections. The Chair announced the nomination for Chair, Secretary Tommy G. Thompson of the USA, and the nomination for Vice Chair, Dr. Suwit Wibulpolprasert of Thailand representing the South East Asia constituency. The Chair noted that these candidates ran unopposed, and asked the delegate from Latin America and the Caribbean to formally propose the candidates.

Summary of Discussions:

2. The delegate from Latin America and the Caribbean noted that a firm consensus was established around both candidates, and praised both candidates for their leadership, commitment and dedication to the work of the Global Fund. Delegates in turn further praised the candidates, and expressed unanimous confidence in their ability to lead the Global Fund in the future.
3. The delegate from the United States announced that Secretary Thompson would address the Board via teleconference later that day, and thanked all delegates for their expressions of good will toward Secretary Thompson (the text of the address is

attached as Annex 3). He also congratulated Dr. Wilbulpolprasert for his election as Vice Chair.

4. Dr. Wilbulpolprasert thanked the delegates for their confidence in him, and explained how he first became associated with the Global Fund. He noted that while many people may fear that he could not be controlled, he assured the delegates that he was, in fact, controlled by his family. He predicted that there would be disagreements with the Chair and the Secretariat, but that these should not be viewed negatively because like disagreements within a marriage, learning always follows. He expressed his commitment to work with all of the delegates in order to support the Global Fund.

5. The Chair announced the election of the Chair and Vice Chair by consensus.

Decisions:

1. The Board of the Global Fund accepted the procedure for the conduct of the current Election for Chair and Vice Chair of the Board as presented in the Proposed Election Procedure to the Board on 31 January 2003.

2. The Board of the Global Fund mandated the Governance and Partnership Committee to constitute a sub-group to develop recommended election procedures for future elections and a succession policy, to revise the Board Operating Procedures accordingly and present them for Board approval at the Fifth Board meeting.

3. The Board accepted the nomination of Secretary Tommy G. Thompson of the United States of America for Chair of the Board of the Global Fund to Fight AIDS, Tuberculosis & Malaria.

4. The Board accepted the nomination of Doctor Suwit Wibulpolprasert of Thailand for Vice Chair of the Board of The Global Fund to Fight AIDS, Tuberculosis & Malaria.

5. The Board elected Secretary Tommy G. Thompson of the United States to the position of Chair, and Dr Suwit Wibulpolprasert of Thailand to the position of Vice Chair of the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria by consensus.

6. The term of office for Chair and Vice-Chair will commence at the end of the present meeting. The term will last for a minimum of one year.

Agenda Item 15: Committees: Resource Mobilization

Introduction:

1. The Chair of the Resource Mobilization Committee presented an approach on resource mobilization that was discussed during its recent meeting. The Committee had agreed to its terms of reference, and further agreed that a resource mobilization strategy must take into account performance on its distributions and results. The Committee concluded that the Fund's current donor base was limited and needed to be diversified to include other public sector donors and the private sector. To this

end, the Committee agreed to present a report to the Board in June that would include the following strategies:

- a. Branding and fund promotion strategy;
- b. Country resource mobilization strategy;
- c. Business sector strategy; and
- d. Foundation strategy.

2. In addition, the committee would consider various policy issues, including donations-in-kind, reporting strategies, legal framework to receive contributions and tax benefits, external use of the logo and other issues recommended by the Committee and delegated by the Board. The Committee was unable to reach a consensus on the Financial Prospectus (GF/B4/6a), which formed the basis of the discussion.

Summary of Discussions:

3. The French delegation submitted a “non-paper” with their position on the resource mobilization strategy. The French delegation expressed its desire to strengthen the Fund’s financial stability and improve its ability to forecast its resources. To this end, the Board Member then announced that the French Government would host a donor conference in Paris in July. The delegation then proposed to find a strategy that is based on four complementary principles:

- a. Diversification of resources beyond the current dependence on the G8/OECD countries;
- b. Making the Fund’s resources sustainable by combining public and private donors to regularly replenish the fund;
- c. Seeking additional resources, much like UNICEF and certain NGOs; and
- d. Improving the institution’s governance to monitor the Fund’s internal operations and supervise its operations.

4. Several delegates expressed the view that setting targets was problematic given the magnitude of the diseases. Other delegates agreed with the French position, as well as the idea of leveraging funds with those of other bilateral and multilateral donors. Delegates from recipient countries stressed the importance of raising funds in their countries also.

5. Several delegates were opposed to earmarking and debt relief, believing that the former was problematic and the latter beyond the scope of the Global Fund. There was a lengthy discussion on the role of the private sector, as many delegates believe that the private sector’s role in resource mobilization was unclear.

Decisions:

A. Financial Prospectus (see also Agenda Item 16 Communications Strategy below)

1. The Board deferred the following decision points on the Financial Prospectus.
 - a. agree that Board commitments should be fully covered by pledges, with agreement by donors that pledges for a given calendar year are callable on demand following commitments made in that or subsequent years.

- b. agree that signed Grant Agreements should be fully covered by cash assets received in the Trustee Account, implying that payment of any unpaid pledges made for a current or previous calendar year must rapidly follow commitments.
2. The Board did not approve the request for an endorsement of the proposed financial targets.

B. Resource Mobilization Framework (see also Agenda item 16 Communications Strategy below)

The Board deferred the following decision points:

1. The Board is requested to instruct the Secretariat to pursue a resource mobilization strategy to achieve the fundraising targets for 2003 and 2004 identified in the Financial Prospectus (GF/B4/6a).
2. The Board is requested to instruct the Resource Mobilization Committee to work with the Secretariat in the pursuit of these targets, particularly by identifying specific ways that Board Members can support the Fund's resource mobilization efforts.
3. The Board is requested to encourage the Private Sector Board Delegation to prepare for the Resource Mobilization Committee a framework for options and processes by which the Fund can accept and/or channel in-kind donations in support of efforts to mobilize resources for its grantees

Agenda Item 16: Communications Strategy

Introduction:

1. The Secretariat presented its Communication Strategy (GF/B4/10), which included the background, strategy development, core messages, the Secretariat team and resources, current activities, media relations, the website, publications and other messages (e.g., logo, research, film, etc.). The Secretariat made three recommendations to the Board for its consideration.

Summary of Discussions:

2. Delegates expressed their appreciation to the Secretariat for its work on this important strategy. Delegates expressed the view that the key messages did not reflect the country-driven processes of the fund, and therefore needed to involve recipient countries more. Others felt that there was a need to draw upon the expertise present within the Board, as well as others within the Secretariat, such as the portfolio management team. In addition, delegates suggested that communities and people living with the diseases should be more prominent in the key messages, and move away from presenting communities as victims.

3. Regarding the website, delegates suggested that additional links should be added outside of the UN system, including bilateral donors, NGOs, universities, etc. Delegates also requested that the website content be available in languages other than English.

4. Several delegates requested clarification on the status of the logo, as many believed that the logo had previously been approved by the Board.
5. Finally, delegates requested guidance on how to deal with the press. Specifically, delegates were unclear when they spoke as private individuals, and when they could speak on behalf of the Fund.

Decisions:

1. The Board endorsed the approaches to Communications outlined in the Communications Report GF/B4/10.
2. The Board agrees to work with the Secretariat and to assist them in their need for additional spokespeople and partners in Communications.
3. Given that the Board had already endorsed the logo for internal use at the previous Board meeting, the Board deferred the decision to endorse the policy on use of the logo and to instruct the Secretariat to continue the process of legal registrations of the logo.
4. The Board agreed that the Resource Mobilization Committee Terms of Reference should be revised to include communications, as recorded in the text below.

(Revised) Terms of Reference for the Resource Mobilization and Communication Committee of the Global Fund to Fight AIDS, Tuberculosis and Malaria

The Resource Mobilization and Communication Committee of the Global Fund to Fight AIDS, Tuberculosis and Malaria will support the development of projections of resource needs and the development of strategies to mobilize resources for the Global Fund, especially through cooperative work of Board Members and constituencies. The work of the Committee will also be examined in light of the overall worldwide needs to fight the three diseases.

The Committee will concentrate its work on advising the Board and Secretariat on the following key tasks:

- **Review** of the ongoing Financial Prospectus
- **Review** of the analysis of the financial status of pledges and contributions to date and to look at this status in light of the approved proposals, grant agreements and actual disbursements to date.
- **Review** of the on-going approach to Resource Mobilization and the development of fundraising policies. The Committee will include in its remit the full range of resource mobilization; prioritising financial contributions, but also including social resources and in-kind donations (in conjunction with other Committees of the Global Fund Board.)
- **Development** of further innovative ideas to raise additional resources.
- **Review** of the communications strategy of the Global Fund
- **Development** of communications policies consistent with the on-going fundraising policies

The Committee will meet regularly to enhance resource mobilization efforts, to strengthen the development of well-focused worldwide communications policies, and to address specific issues related to these efforts.

Agenda Item 17: Point Seven Announcement

1. Point Seven announced that a tracking study sponsored by Ireland, the Netherlands, the United Kingdom and Denmark had been commissioned from the London School of Hygiene and Tropical Medicine to investigate linkages between the Global Fund and other existing initiatives, e.g., PRSPs and SWAPs. The team conducting the study was scheduled to meet with representatives from the Global Fund Secretariat. The tracking study was to be used by headquarter and agency staff of the sponsoring countries. It was the hope that this external initiative would also contribute with useful knowledge and insights to the Global Fund and be positive contribution to the Secretariat's monitoring and evaluation efforts.

Agenda Item 18: Calendar 2003

Introduction:

1. The Secretariat presented the schedule of meetings and events for 2003 as well as a generic calendar for subsequent years. The intention with the forward-looking calendar was to provide clarity about the Global Fund's intentions and to allow the Secretariat to develop a routine schedule and effectively plan ahead.

Summary of Discussions:

2. Several Board Members objected to the fixing of dates for the announcement of future rounds of funding, since the financial resources needed for these rounds had not yet been raised. Others expressed the view that it would send a very negative message about the intentions of the Global Fund if future funding rounds were not clearly articulated.

3. Following a suggestion that the issue of a calendar should not pre-empt discussions surrounding future rounds of funding, the Board unanimously agreed with the proposed decision points, recognizing that the proposed calendar, beyond the events around Round Three and the 5th and 6th Board meetings, should be used for internal planning purposes rather than communicated externally.

Decisions:

1. The Board endorsed the following Committee Calendar:

- a. Chairs and Vice Chairs meet together on 3 April 2003
- b. Committees meet on:

Resource Mobilization and Communications – 1, 2 April 2003

Governance and Partnership – 2, 3 April 2003

Monitoring, Evaluation, Finance and Audit – 3, 4 April 2003

Portfolio Management and Procurement Committee – 3, 4 April 2003

2. The Board decided that the Calendar regarding Board meeting dates and Round 3 as proposed for 2003 is appropriate and instruct the Secretariat to plan accordingly.
3. The Board deferred the decision on the generic Calendar.

Agenda Item 19: Closure

Summary of Discussions:

1. The Executive Director expressed his appreciation to the outgoing Chair and Vice Chair for their work with Board meeting as well as for their support throughout the critical start-up phase of the Global Fund. Key priorities ahead will be to ensure funding for Round Three, to move rapidly to conclude grant agreements with remaining Round 1 countries and to initiate the process of signing grant agreements with the newly approved Round Two applicants.

2. The Vice Chair noted that enormous progress had been made during the Fourth Board meeting, citing particularly the approval of funding for Round Two proposals and important advancements in the areas of Portfolio Management and Procurement and Governance and Partnerships. He commended the Executive Director and the Secretariat, as well as the outgoing Chair of the Board, and welcomed the new Chair and Vice Chair. He concluded by thanking the Board for granting him the honour of serving as Vice Chair during the start-up phase of the Global Fund.

Annex 1

FOURTH BOARD MEETING OF THE GLOBAL FUND REPORT OF THE EXECUTIVE DIRECTOR RICHARD G.A. FEACHEM 29 JANUARY 2003

Ladies and gentlemen, friends and colleagues, may I add my warm welcome to you all and my thanks for your tireless efforts on behalf of the Global Fund since our last meeting in Geneva in October, 2002.

2002: FROM INCEPTION TO OPERATIONS

I want to start by saying a few words on 2002. This 4th Meeting of the Board marks, almost exactly, the first birthday of the Global Fund. We have come a long way in twelve months and there is much to be proud of. 2002 was the year in which the Global Fund moved from inception to operations; from plan to realization; from design to structure.

Let me review briefly with you some of the highlights of 2002.

1. Money is Moving

The first priority of the Global Fund is to get large financial resources to where they can be effectively used in the front line in the battle against AIDS, TB and malaria. A year ago this was not possible; six months ago this was not possible; today it is possible and it is happening.

A disbursement architecture has been put in place which combines lightness and respect for national frameworks, with the necessary degree of oversight and accountability. This architecture is now being put into practice. Last year, following the October Board Meeting, 9 Grant Agreements were signed in the 4 start-up countries. In the last week, an additional 21 agreements in 14 countries have been signed, or will be signed during the course of this Board meeting. I committed in December that we would have 20 agreements signed by this meeting. In fact, the number is over 30 – thanks to the efforts of CCMs, partners and our Portfolio Managers.

I would like to dwell for a moment on our Portfolio Managers. We have an incredible team. Many are in this room. They have worked night and day to get the grants signed and delivered. I would like all the Portfolio Managers to please stand up and be recognized. Many are in recipient countries continuing work on grant agreements. I invite all Board delegates to get to know them and speak with them to learn first hand about the work they are doing in country.

While agreements are signed in Argentina, Cambodia, China, Ghana, Haiti, Honduras, India, Indonesia, Laos, Madagascar, Malawi, Morocco, Panama, Senegal, Sri Lanka, Tanzania, Ukraine and Zimbabwe, nearly half the countries from Round 1 are still waiting for similar progress. They must be a priority. As must be moving from agreements to disbursements, and from disbursements to effective expenditure in the countries.

At the Secretariat we have no doubt that these initial disbursement arrangements are not perfect and will be subject to constant improvements. We have confidence from our early experience, however, that the arrangements are sound and provide a good basis for starting the central work of the Global Fund. We are also pleased that our disbursement arrangements have been designed in close collaboration with the World Bank and the Development Assistance Committee of the OECD. Through these collaborations we have ensured a high degree of synergy with the donor harmonization efforts which are under way.

And I want to pause to thank the World Bank for the two secondments that they have provided, and the great deal of assistance in the design of innovative disbursement arrangements.

One particular aspect of our disbursement arrangements that has proved contentious is the Local Fund Agent. Let me pause for a moment to update you on our experiences with LFAs. First, we have worked through the autumn to narrow and clarify the roles and responsibilities of the LFA. LFAs are now charged with a limited set of duties, primarily in the area of financial oversight. It is my belief that, without this financial oversight, it would be irresponsible for the Global Fund to disburse large sums of money to recipients of many shapes and sizes in countries in many different stages of development. We are emphasizing – I believe correctly – flexibility in our approach. One size does not fit all. We will have a lighter touch where a lighter touch is appropriate, and we will exercise greater due diligence where greater due diligence is warranted. We will also learn from experience. Principal Recipients that prove themselves to be rapid and effective implementers with good reporting systems, will find that the Global Fund leaves them alone to get on with their business and in no way tries to be intrusive or to micromanage their affairs.

Our choice of LFAs at the present time includes four organizations; two private, one not-for-profit, and one public. As you know, these are Price Waterhouse Coopers, KPMG, Crown Agents and UNOPS. In all cases, we deal with the local offices and manifestations of those organizations. Most adverse comments have surrounded the use of Price Waterhouse Coopers and KPMG. However, it is precisely these two organizations who have so far performed the best in their LFA role. They have the strongest local capacity, they have been most responsive to the needs of the Global Fund, and they have not been more expensive than the not-for-profit or public alternatives.

Where we have found that our Local Fund Agent is not up to scratch, as has been the case in a few countries, we have vigorously intervened to improve performance. Where performance is not to our satisfaction, we will be aggressive in changing the Local Fund Agents. Moving forward we will pursue an open, competitive process to select LFAs. Do interact with our managers to find out how the LFA process works.

2. Systems and Staff are in Place

Since the last Board Meeting we have moved into our new offices, which some of you have been able to visit. I hope that all of you will visit our offices at the first opportunity. Our IT and other systems are settling down and performing better each week. Our Recruitment Task Force has worked very hard to attract to the Global Fund both longer term and shorter term staff at all levels, who provide the passion, the commitment, the talent and the energy that allows the Global Fund to do its work.

As of today there are 65 people working at the Secretariat. They come from 36 countries. Mireille will be delighted to hear that 63% percent of them are proficient in French, and many other languages are also spoken. They are 55% percent female. The blend of public and private experience is robust. Sexual preferences of staff members are varied and respected. People living with HIV/AIDS strengthen our team and keep us focused on our common goals.

I believe we are building a truly outstanding and diverse team. I encourage Board Members to get to know members of the Secretariat. I also encourage those Board Members who have been distrustful of the Secretariat to build personal relationships to see that there is no individual on our team who is not passionately committed to the cause of the Global Fund. If there are differences of view, they are honestly held differences of view. If there are breakdowns in communication, they are the product of the extraordinary hecticness of our lives and the pressures on the individuals and the systems. The culture of the Global Fund is openness, honesty and transparency. We will not play games with you the Board, with our partners such as WHO or UNAIDS, or with anyone else. Our mission is too important, and too many millions of people around the world depend on our effectiveness. We will not always be the most diplomatic, but we will always be honest and strive our utmost to serve the interests of those who are suffering so terribly from these pandemics.

3. Pioneering Policies are Agreed

A third area of progress is that pioneering policies have been agreed and put in place. During the past year we have put into place a number of policies that allow the Global Fund to continue its work with clarity and focus. Most significant is our policy on drug procurement. As someone who has worked in this area for several years, and has been depressed by the unproductive rancor that persists between different interest groups, I am delighted by this breakthrough. Our drug procurement policies have taken a giant leap forward towards the best interest of our clients by assuring lowest prices and good quality. Other important policies, as you know, have been put in place and still more will be discussed at this Board meeting. Not least of these are the policies before you on the inclusion of civil society in CCMs. No government can fight these pandemics alone. Minimum standards for CCMs should not push countries into artificial relationships, but act as an incentive for enhanced and broadened cooperation at the local level.

4. The Global Fund Family is Working Together

The Global Fund is made up of its Secretariat, its Board, and its Technical Review Panel. I have mentioned progress made by the Secretariat in establishing itself over the past year. I would like to also make brief mention of the progress made by the Board and the TRP.

Concerning the Board, we have moved from some dysfunction and lack of trust to a more harmonious, professional and productive set of relationships. I applaud this on behalf of all those who depend on us to move quickly. The unsatisfactory and somewhat unfocused Working Groups have been replaced by a Committee structure. This has been a big step forward, but further work and improvement are still necessary. The Point Seven delegation at the October Board Meeting cogently warned against the Committees becoming a fence standing between the Secretariat and the Board. This is a matter that you are discussing on Friday, and I urge you to take the issues surrounding Committees seriously and help us arrive at a situation

where Committees uniformly expedite and assist the work of the Global Fund, do not unduly distract the Secretariat from its core business, and avoid intruding on operational matters which are for the Secretariat to pursue and for the Board to watch over.

I applaud the excellent and dedicated work of the TRP, and I congratulate Michel and Alex for their leadership and commitment. The TRP has come a long way, like all of us. In renewing it, we must not lose the valuable experience, expertise and teamwork that has been built.

Another important organ of the Fund – not yet activated – is the Partnership Forum. Its role must be defined, and this is another topic of discussion for this Board Meeting. I hope that we can agree on a focused set of responsibilities and deliverables for this Forum, so that it can make a substantial contribution towards our mission.

5. Proposals and Partnerships have been Mobilized

A notable area of exciting and encouraging progress during 2002 has been the stimulation of several hundred proposals to the Global Fund in Rounds One and Two. Many of these proposals are innovative, many of these proposals involve organizations who were previously less active in the fight against HIV/AIDS, TB and malaria. Some of these proposals incorporate new alliances among in-country partners. The idea of the CCM, previously untried, untested and unknown, is now gaining ground. While the CCM builds on existing coordinating mechanisms, it creates broader engagement of civil society and the private sector. The fact that the Global Fund has added the need for a CCM to a landscape of UN Theme Groups, National AIDS Committees, and other bodies has been a challenge. In some cases, the CCM has been set up as a parallel structure, and we must work together to ensure integration. In many other cases, in-country commentators are telling us about the benefits of the CCMs, and we are hearing stories about CCMs working well and stimulating new alliances.

CCMs have improved over 2002 and one of the results is, of course, better proposals. Round Two was a major improvement over Round 1. Better proposal guidelines, a more robust TRP process, more time for countries to prepare proposals, and a more participatory process have resulted in stronger proposals. The TRP is recommending a 40% larger approval for Round 2 than Round 1. Given the need in these countries, that is good news. The expected outcomes of these recommended proposals include 2 million more people on DOTS, with a third of TB proposals including treatment of MDR-TB – this is unprecedented in scale. For malaria, the nets purchased in 2 years will quadruple the 4 million purchased annually for Africa by UNICEF. The Fund will expand annual coverage of artemisinin-based therapy for malaria in Africa from the current situation of only 15,000 treatments to 4 million treatments in eight countries. Recommended HIV/AIDS proposals will reach 500,000 orphans and vulnerable children, with a particular focus on prevention efforts on youth and school children. And the number of people on antiretrovirals made possible by the recommended proposals, nearly 300,000 over the lifetime of the programs, is an important yet still modest step in the fight for access to treatment.

Partnerships have also been flourishing at the global level. Everyone recognizes that the Global Fund cannot fulfil its mandate alone or without very close collaborative

relationships with its development partners. In 2002, those partnerships began to take shape and to develop. We are working increasingly with WHO on TB, malaria, HIV/AIDS and drug policy. Our relations with UNAIDS are strengthening all the time and are the subject of a Memorandum of Understanding. Numerous other partnership discussions are underway and many practical expressions of partnership are occurring. We are committed to continue to develop these important opportunities. The Global Fund is a financing mechanism. It will not become a development institution, a capacity strengthening institution, or a technical assistance agency. It will stick to its core business, despite repeated pressures from many quarters to lure it into other responsibilities and activities.

A final note on 2002. While the results of the last year are noteworthy and a credit to all of us, there is no room for complacency. Let us be clear that the biggest mountains still lie ahead of us. In particular, we have only just begun to make disbursements. We have not fully tried and tested our quarterly disbursement arrangements or the performance criteria on which they will be based. Most of all we have not yet changed people's lives. More mothers and babies are not yet sleeping under impregnated nets; more poor people in remote rural areas and urban slums are not receiving DOTS; more teenagers are not receiving effective prevention messages concerning HIV; and more people in Africa and elsewhere are not yet on an anti-retroviral therapy. None of these fundamental goals of Global Fund has yet been achieved. 2003 is the year when these achievements must start.

2003: THE MAKE OR BREAK YEAR

Let me come then to 2003 which I have described previously as the make or break year of the Global Fund. 2003 is the year in which we must move from good intentions to real achievements. Our focus in 2003 must be on substantial and measured progress in the three domains which comprise the totality of the Global Fund: Raise it, Spend it, Prove it.

1. Spend It

Spending it will remain the primary focus of most Secretariat staff during 2003. We have to complete all the Round One Grant Agreements and initiate disbursement. We have to complete all the Round Two Grant Agreements and initiate disbursement. These tasks alone mean that, when this Board Meeting ends, the Secretariat will have to manage the administration of grants to 160 programs in 85 countries, twelve months after the initiation of the Global Fund. But that is not enough. We also have to prepare and present to the Board a high caliber set of programs for Round Three. We have to fine-tune our disbursement architecture. We have to further develop our performance-based funding approach, and demonstrate that it can work in practice. We have to have examples where progress is ahead of schedule and funding is accelerated. We will also benefit from examples where things have gone wrong and funding has been terminated. All this will show that the Global Fund means what it says, that it is a serious enterprise, and that it can deliver on its promise.

2. Prove It

The onus on the Fund to prove its effectiveness in 2003 is very great. Donors wish to know that their money is being used to turn the tide of malaria, TB and HIV. The Secretariat needs to know that the recipients of the funds are using them for the intended purposes and making the anticipated improvements in people's lives. The world needs to feel a new optimism and sense of hope based on evidence from the field; evidence that programs are scaling up, that prevention is working, and that access to treatment is expanding.

The focus on the Global Fund in 2003 must shift from global to local. We have discussed LFAs, but it is not LFAs that will prove it. They monitor; they do not implement. It is Principal Recipients that have the critical responsibility of receiving money and managing programs. It is CCMs that must harmonize aid flows and coordinate local responses across public and private sectors. And it is our development partners – including WHO, UNAIDS, the World Bank and bilaterals – which must build capacity, support monitoring & evaluation, and provide the technical and operational assistance necessary to effectively utilize the substantial sums of money that the Fund is making available. Only through these efforts – by PRs, CCMs and development partners – can the Fund achieve the results that matter: progress in the fight against AIDS, TB and malaria in communities living with and affected by these epidemics.

3. Raise It

As all Board Members are aware, the Global Fund is fully funded through Round Two and fully unfunded for Round Three. If we stick to our policy requiring that Board approvals are covered by pledges and that Grant Agreements are covered by cash in the bank, and if we also continue our policy that all this relates to the first two years of each five year program, then we run out of money as result of decisions that you will take at this meeting.

We have widely advertised our financing requirements: The Global Fund needs 6.3 billion dollars in 2003 and 2004; so far we have 1.2 billion pledged. 80% of our fundraising is ahead of us. The Global Fund needs to be refinanced. It would have been convenient if the call for refinancing could follow evidence of epidemiological impact. In practice, astute observers are well aware that this is not possible and never could have been possible. Refinancing the Global Fund must depend on credibility and confidence established through the quality of the proposals, the disbursement systems that are in place, the partnerships that have been built, and other evidence that the Global Fund is a credible new organization that is on track to have a major impact in the near future.

Inevitably, this refinancing must rely primarily, in the short term, on the G7 and other OECD nations. We will begin to expand the corporate and private contributions during 2003, but it is not conceivable that these sources will become large enough quickly enough to meet our refinancing requirements. They must, however, become a part of the solution in other ways as soon as possible, particularly, I believe, through parallel investments in countries that leverage the Fund's dollars to catalyze better and faster results. It is the G7 and the OECD, however, that must step forward and support the work of the Fund and its recipients – both current and future – by bold and generous new commitments of finance. In this context, we are pleased to hear President Bush's commitment last night to the fight against HIV/AIDS and to the undertaking to provide additional funds to the tune of \$1 billion to the Global Fund beginning in 2004.

VULNERABILITIES AND CHALLENGES

In each of the areas – raise it, spend it, prove it – the Global Fund faces substantial potential vulnerabilities and challenges. I will mention just some of these in the form of questions. The answer to each, I believe, must be yes.

- Will the resources be available to allow Round Three to be fully funded?
- Will the disbursement systems that we are using prove robust and up to the task of the massive scale up that is underway?
- Will we be able to turn performance-based funding from rhetoric into reality?
- Will the capacity of our recipients, together with the work of our partners, enable the Fund's money to be effectively absorbed and used for good purposes?
- Will our partnership efforts be vigorous and successful enough to allow the many inputs of the private sector and civil society necessary for success?
- Will our communications system be able to overcome the gulf of misunderstanding, misinformation, and mistrust that currently surrounds the work of the Global Fund and enable true transparency?
- Will the Global Fund be able to change its legal status to one which gives it the necessary basis to continue its work and which allows an administrative structure that is effective and cost-effective?

All these are matters on which much deliberation and action are already underway. Some of them are topics for detailed discussion at this Board Meeting. They are all topics on which I will keep the Board closely informed and for which I will frequently call on the Board for assistance and support as we go forward.

AND FINALLY

And finally some personal reflections and words of appreciation.

- I thank all my colleagues at the Secretariat for their dedication, energy and good humor through the long and challenging days of last year. We enter 2003 with a great team and this, more than anything else, gives me optimism for the future.
- I thank the NGO and activist communities. I did not know them well before taking this job. I have come to be their biggest fan. They are a major reason why the Global Fund exists. Their voice is clear, consistent and honest. They organize their delegations to this Board better than anyone else. And they have been a constant support to the work of the Global Fund. Constant support does not mean telling us things that we want to hear or patting us on the back. Constant support means honest and constructive comments and activity focused on getting the job done.

- I want to thank our partners. We work closely and productively with the World Health Organization. We work with the TB crowd, we work with the HIV/AIDS crowd, we work with the drug policy crowd, and we work with the malaria crowd. All these relationships are in good shape and improving daily. We look forward to further building these collaborations, initially with Gro Brundtland, and subsequently with our friend and colleague, J.W. Lee. As we get beyond territorial unease, we see productive and mature collaborations developing which are in the interest of those that we all exist to serve. Peter Piot has been a visionary leader of UNAIDS, and it is partly thanks to his global advocacy that the Fund exists. Working closely with him and UNAIDS in a way that affirms our complementary roles is a goal to which we are both committed.
- I thank the donor governments represented on the Board. I have visited many of your capitals and been treated with great courtesy and professionalism. I return from each of these visits feeling that we have strong friends and allies in the world. I also come back with insights, criticisms and perspectives that help us all to improve our work and increase our effectiveness.
- I thank the governments and people of the recipient countries. First and foremost for their forbearance. Money was promised at the end of April and very little money has so far flowed. This is frustrating and hard to tolerate when the catastrophe is unfolding around you every day. To these governments and their citizens, I undertake that we will do everything in our power to accelerate the flow of funds in 2003. I also undertake to dedicate more of my travel to visiting southern Board delegations and seeing first hand programs that the Global Fund is beginning to support.
- Allow me to also thank two individuals. Ten days ago I visited the UN Secretary General, Kofi Annan, in New York. I briefed him on behalf of Chrispus Kiyonga and all of us on the progress made by the Global Fund so far, and the challenges we faced. I recognized his role as a grandfather of the Global Fund and until recently its largest individual financial supporter until today. I welcomed his stronger engagement in the mission and work of the Global Fund and invited him to formalize his position as Patron of the Global Fund. The Secretary General responded with much warmth, enthusiasm, and commitment to these ideas. We will be following up with him and his officials, and I hope to build a strong and productive bond with him that will give renewed impetus to our work.
- Because of the Global Fund, I have many new friends, none more important to me than Chrispus Kiyonga. I have come to respect him enormously. I want to pay tribute to his leadership of the Global Fund from its very earliest days. He is a great man with great dedication to global development and the people of Africa. I will miss his wise counsel as Chair of the Board, as I am sure we all will.
- Lastly, I thank the people who are living with and affected by the diseases we are here to fight. Even as the Fund works hard to get money to programs that will, in turn, improve your lives and the lives of those you love, you are fighting on with your own resources, and with incredible resolve and resilience. You have demanded that the world respond, and that is why we are here. You have challenged us to focus on decisions that will maximize our impact, and so we must. Joseph Scheich, to whom we earlier paid tribute, is one of 900,000 people who died since this Board last met. We must do more. And we must do it now.

To close, I would like to relate some heart-warming news from the recent World Economic Forum meeting in Davos. Some of you were also there. At the last meeting, the Global Fund did not exist. This time, the Global Fund was on everyone's lips. In forum after forum, leaders of government, civil society and the private sector committed themselves to do more – more for the fight against these diseases, and more specifically for the Global Fund. At the end of the last session, Ed Scott, an American entrepreneur who cares deeply about global issues, handed me this. It is a personal check to the Global Fund for 1 million US dollars. I was stunned – I have never been handed a check for a million dollars before. I have never even seen a check for 1 million dollars. We owe it to Ed and to the thousands of others who have placed their trust in us, and to the millions whose lives we can impact, to achieve great things in the 2003. Your wisdom and guidance over the next three days are essential for us to succeed.

Thank you.

Annex 2

Annex II: List of components reviewed, classified by category

No.	Source	Country	WHO Region	Component	Budget		
					Year 1	Total 2 years	Total
Category 1					59,415,929	111,415,449	181,905,836
1	CCM	Cambodia	Western Pacific	Malaria	2,699,785	5,013,262	9,998,371
2	CCM	Ecuador	America	HIV/AIDS	4,047,751	7,453,979	14,104,108
3	CCM	Kyrgyzstan	Europe	Tuberculosis	633,367	1,212,835	2,771,067
4	CCM	Laos	Western Pacific	Tuberculosis	881,528	1,476,478	3,391,094
5	NGO	Madagascar	Africa	HIV/AIDS	404,806	668,980	1,310,969
6	Reg. CCM	Multi-country Western Pacific	Western Pacific	HIV/AIDS	1,566,500	3,036,000	6,304,000
7	CCM	Myanmar	South East Asia	Tuberculosis	4,216,508	6,997,137	17,121,370
8	CCM	Peru	America	HIV/AIDS	7,719,875	15,718,354	23,671,871
9	CCM	Romania	Europe	HIV/AIDS	11,924,382	21,801,370	28,192,765
10	CCM	Romania	Europe	Tuberculosis	9,930,927	18,404,654	20,167,821
11	CCM	Swaziland	Africa	HIV/AIDS	15,390,500	29,632,400	54,872,400
Category 2					383,693,266	772,272,940	1,900,241,322
1	CCM	Afghanistan	Eastern Med.	Integrated	3,125,605	3,125,605	3,125,605
2	CCM	Armenia	Europe	HIV/AIDS	1,766,150	3,166,641	7,249,981
3	CCM	Bangladesh	South East Asia	HIV/AIDS	2,992,210	6,260,140	19,961,030
4	CCM	Benin	Africa	HIV/AIDS	5,406,000	11,348,000	17,726,000
5	CCM	Benin	Africa	Tuberculosis	1,069,507	2,173,404	3,104,104
6	CCM	Botswana	Africa	HIV/AIDS	12,135,636	18,580,414	18,580,414
7	CCM	Bulgaria	Europe	HIV/AIDS	3,516,805	6,894,271	15,711,885
8	CCM	Burkina Faso	Africa	HIV/AIDS	3,197,349	7,260,153	19,632,122
9	CCM	Burkina Faso	Africa	Malaria	5,081,112	7,144,703	7,144,703
10	CCM	Burundi	Africa	Malaria	7,447,706	13,792,126	17,766,125
11	CCM	Cambodia	Western Pacific	HIV/AIDS	2,562,674	5,370,564	14,877,295
12	CCM	Cambodia	Western Pacific	Tuberculosis	1,182,422	2,505,255	6,639,001
13	CCM	Central African Republic	Africa	HIV/AIDS	3,338,091	8,199,750	25,090,588
14	CCM	Chad	Africa	Tuberculosis	674,780	1,263,969	3,039,327
15	CCM	Comores	Africa	Malaria	909,583	1,534,631	2,485,878
16	CCM	Congo (Democratic Republic)	Africa	Tuberculosis	4,502,405	6,409,630	7,973,002
17	CCM	Costa Rica	America	HIV/AIDS	1,031,415	2,279,501	4,202,362
18	CCM	Cote D Ivoire	Africa	HIV/AIDS	11,973,863	26,887,541	91,203,150
19	CCM	Croatia	Europe	HIV/AIDS	1,743,117	3,363,974	4,945,192
20	CCM	Cuba	America	HIV/AIDS	6,161,173	11,465,129	26,152,827
21	CCM	Dominican Republic	America	HIV/AIDS	7,533,278	14,698,774	48,484,482
22	CCM	East Timor	South East Asia	Malaria	1,279,664	2,300,744	2,963,723
23	CCM	Egypt	Eastern Med.	Tuberculosis	501,522	2,480,219	4,032,014
24	CCM	El Salvador	America	HIV/AIDS	6,658,512	12,856,729	23,538,964
25	CCM	El Salvador	America	Tuberculosis	1,210,106	1,918,344	3,373,959
26	CCM	Eritrea	Africa	Malaria	1,080,209	2,617,633	7,911,425

27	CCM	Estonia	Europe	HIV/AIDS	2,236,867	3,908,952	10,246,580
28	CCM	Ethiopia	Africa	HIV/AIDS	27,152,860	55,383,811	139,403,241
29	CCM	Ethiopia	Africa	Malaria	20,183,031	37,915,012	76,875,212
30	CCM	Georgia	Europe	HIV/AIDS	1,980,844	4,018,312	12,125,644
31	CCM	Ghana	Africa	Malaria	2,952,741	4,596,111	9,356,933
32	CCM	Guinea	Africa	HIV/AIDS	2,426,604	4,804,696	13,230,165
33	CCM	Guinea	Africa	Malaria	3,302,897	6,893,509	8,798,945
34	CCM	India	South East Asia	HIV/AIDS	9,022,000	26,116,000	100,081,000
35	CCM	India	South East Asia	Tuberculosis	7,430,000	12,760,000	29,110,000
36	CCM	Iran (Islamic Republic of)	Eastern Med.	HIV/AIDS	2,608,900	5,698,000	15,922,855
37	CCM	Jordan	Eastern Med.	HIV/AIDS	971,800	1,778,600	2,483,900
38	CCM	Kazakhstan	Europe	HIV/AIDS	2,519,000	6,502,000	22,360,000
39	CCM	Kenya	Africa	HIV/AIDS	16,772,882	36,721,806	129,054,092
40	CCM	Kenya	Africa	Malaria	4,604,490	10,526,880	33,586,810
41	CCM	Kenya	Africa	Tuberculosis	2,518,247	4,928,733	11,232,735
42	CCM	Kyrgyzstan	Europe	HIV/AIDS	2,288,441	4,958,039	17,073,306
43	CCM	Lesotho	Africa	HIV/AIDS	4,177,000	10,557,000	29,312,000
44	CCM	Lesotho	Africa	Tuberculosis	1,000,000	2,000,000	5,000,000
45	CCM	Liberia	Africa	HIV/AIDS	3,401,791	7,658,257	7,658,257
46	CCM	Liberia	Africa	Tuberculosis	3,182,233	4,534,017	4,534,017
47	NGO	Madagascar	Africa	HIV/AIDS	1,467,244	3,032,048	5,024,116
48	CCM	Malawi	Africa	Malaria	10,886,000	20,872,000	39,688,000
49	CCM	Mauritania	Africa	Malaria	85,000	824,125	2,899,074
50	CCM	Mauritania	Africa	Tuberculosis	512,553	1,105,078	2,728,225
51	CCM	Mongolia	Western Pacific	HIV/AIDS	662,219	609,404	2,997,103
52	CCM	Mozambique	Africa	HIV/AIDS	12,718,740	29,692,640	109,338,584
53	CCM	Mozambique	Africa	Malaria	7,027,873	12,273,573	28,205,783
54	CCM	Mozambique	Africa	Tuberculosis	5,372,214	12,181,334	18,190,995
55	Reg. Org.	Multi-country Africa(RMCC)	Africa	Malaria	3,746,545	7,424,815	22,387,532
56	Reg. CCM	Multi-country Western Pacific	Western Pacific	Malaria	1,454,000	2,416,850	4,897,650
57	Reg. CCM	Multi-country Western Pacific	Western Pacific	Tuberculosis	1,005,090	1,699,100	3,089,010
58	CCM	Namibia	Africa	HIV/AIDS	12,115,189	26,082,802	105,319,841
59	CCM	Namibia	Africa	Malaria	1,990,643	3,719,354	6,304,577
60	CCM	Namibia	Africa	Tuberculosis	591,180	904,969	1,532,603
61	CCM	Nepal	South East Asia	HIV/AIDS	2,095,786	4,407,996	11,215,542
62	CCM	Nepal	South East Asia	Malaria	1,249,014	2,622,929	7,624,668
63	CCM	Nicaragua	America	HIV/AIDS	2,039,632	4,025,689	10,399,706
64	CCM	Nicaragua	America	Malaria	2,267,459	3,404,671	5,613,132
65	CCM	Nicaragua	America	Tuberculosis	708,762	1,271,820	2,853,065
66	CCM	Nigeria	Africa	Malaria	8,513,203	17,828,808	44,314,691
67	CCM	Nigeria	Africa	Tuberculosis	5,812,781	9,822,066	22,449,042
68	CCM	Pakistan	Eastern Med.	HIV/AIDS	1,526,200	4,568,250	9,856,350
69	CCM	Pakistan	Eastern Med.	Malaria	2,317,300	4,407,700	7,720,500
70	CCM	Pakistan	Eastern Med.	Tuberculosis	1,251,000	2,248,800	4,042,900
71	CCM	Peru	America	Tuberculosis	10,794,558	20,153,818	26,505,183

72	CCM	Philippines	Western Pacific	Malaria	2,766,830	7,244,762	11,829,545
73	CCM	Philippines	Western Pacific	Tuberculosis	1,526,742	3,434,487	11,438,064
74	CCM	Sierra Leone	Africa	Tuberculosis	1,526,668	2,569,103	5,698,557
75	CCM	Somalia	Eastern Med.	Malaria	4,682,031	8,890,497	12,886,413
76	CCM	South Africa	Africa	HIV/TB	6,790,000	8,414,000	25,110,000
77	Sub-CCM	Sudan	Eastern Med.	Malaria	6,692,166	12,855,490	27,827,045
78	CCM	Sudan	Eastern Med.	Malaria	7,046,156	14,237,853	33,240,453
79	Sub-CCM	Sudan	Eastern Med.	Tuberculosis	2,625,241	5,842,932	15,252,236
80	CCM	Swaziland	Africa	Malaria	614,500	978,000	1,864,500
81	Sub-CCM	Tanzania/Zanzibar	Africa	HIV/AIDS	716,752	1,116,285	2,302,922
82	CCM	Thailand	South East Asia	HIV/AIDS	7,242,753	20,253,183	81,348,535
83	CCM	Thailand	South East Asia	Malaria	1,060,000	2,280,000	5,282,000
84	CCM	Togo	Africa	HIV/AIDS	8,397,744	14,185,638	19,882,903
85	CCM	Uganda	Africa	Malaria	10,612,300	23,211,300	35,783,000
86	CCM	Uganda	Africa	Tuberculosis	3,539,009	6,841,561	9,058,221
87	CCM	Yemen	Eastern Med.	Malaria	830,667	4,159,632	11,878,206
98	TOTAL CATEGORY 1 AND 2				443,109,195	883,688,389	2,082,147,158
Category 3					533,079,278	1,076,874,380	2,748,707,668
1	CCM	Algeria	Eastern Med.	HIV/AIDS	4,022,664	7,039,662	10,056,660
2	CCM	Azerbaijan	Europe	HIV/AIDS	3,894,146	7,647,761	15,239,586
3	CCM	Bangladesh	South East Asia	Malaria	1,703,455	3,034,004	7,575,331
4	CCM	Bangladesh	South East Asia	Tuberculosis	2,727,522	7,827,445	18,081,520
5	CCM	Belarus	Europe	HIV/AIDS	2,350,200	4,686,400	12,000,000
6	CCM	Belize	America	HIV/TB	1,785,804	2,763,213	6,772,473
7	CCM	Bhutan	South East Asia	HIV/AIDS	756,997	1,260,158	3,222,034
8	CCM	Bhutan	South East Asia	Malaria	1,697,574	3,071,574	4,638,574
9	CCM	Bolivia	America	HIV/AIDS	4,849,518	9,595,404	25,677,978
10	CCM	Bolivia	America	Malaria	4,007,113	5,944,076	9,629,503
11	CCM	Bolivia	America	Tuberculosis	3,361,243	6,716,793	17,247,330
12	CCM	Botswana	Africa	Tuberculosis	3,284,090	4,779,790	4,779,790
13	CCM	Bulgaria	Europe	Tuberculosis	211,010	538,280	827,420
14	CCM	Burkina Faso	Africa	Tuberculosis	313,300	584,053	1,157,462
15	CCM	Burundi	Africa	Tuberculosis	358,067	651,534	1,553,807
16	CCM	Cameroon	Africa	HIV/AIDS	33,180,952	85,036,454	421,483,524
17	CCM	Cameroon	Africa	Malaria	13,818,420	29,687,288	69,647,901
18	CCM	Cameroon	Africa	Tuberculosis	1,436,404	2,356,593	5,719,117
19	CCM	Central African Republic	Africa	Malaria	3,272,284	8,007,243	24,469,511
20	CCM	Central African Republic	Africa	Tuberculosis	853,802	1,230,363	3,219,117
21	CCM	Chad	Africa	HIV/AIDS	1,605,966	3,058,846	12,192,834
22	CCM	Chad	Africa	Malaria	1,049,562	2,088,124	6,741,819

23	CCM	China	Western Pacific	HIV/AIDS	21,040,000	42,750,000	96,550,000
24	CCM	Colombia	America	HIV/AIDS	813,527	3,482,708	8,678,073
25	CCM	Comores	Africa	HIV/AIDS	548,300	705,200	1,477,900
26	CCM	Congo (Democratic Republic)	Africa	HIV/AIDS	15,178,888	28,865,681	43,104,328
27	CCM	Congo (Democratic Republic)	Africa	Malaria	16,354,908	33,384,220	43,398,498
28	CCM	Cote D Ivoire	Africa	Malaria	3,873,918	7,456,508	13,945,437
29	CCM	Cote D Ivoire	Africa	Tuberculosis	2,154,168	3,418,750	7,450,812
30	CCM	Dominican Republic	America	Malaria	1,663,552	2,911,858	5,004,765
31	CCM	Dominican Republic	America	Tuberculosis	1,112,926	2,225,852	3,611,125
32	CCM	East Timor	South East Asia	HIV/AIDS	989,845	1,916,689	2,666,379
33	CCM	Ecuador	America	Malaria	1,487,000	2,644,000	5,249,000
34	CCM	Ecuador	America	Tuberculosis	4,651,480	7,522,381	16,406,304
35	CCM	Egypt	Eastern Med.	HIV/AIDS	495,624	1,294,807	5,632,832
36	CCM	Equatorial Guinea	Africa	HIV/AIDS	3,844,115	7,508,380	24,044,961
37	CCM	Equatorial Guinea	Africa	Malaria	670,952	1,143,616	2,092,032
38	CCM	Equatorial Guinea	Africa	Tuberculosis	385,564	670,660	1,579,598
39	CCM	Eritrea	Africa	HIV/AIDS	5,154,480	11,369,640	32,748,620
40	CCM	Eritrea	Africa	Tuberculosis	353,284	1,183,828	3,705,950
41	CCM	Gabon	Africa	HIV/TB	1,281,550	3,347,850	11,940,250
42	CCM	Georgia	Europe	Malaria	483,000	734,000	938,000
43	CCM	Georgia	Europe	Tuberculosis	961,956	2,277,227	4,298,330
44	CCM	Guatemala	America	HIV/AIDS	5,858,458	12,134,608	47,251,545
45	CCM	Guatemala	America	HIV/TB	189350	295200	694,050
46	CCM	Guatemala	America	Malaria	3,772,724	4,276,360	5,508,659
47	CCM	Guatemala	America	Tuberculosis	890,837	1,515,301	2,604,429
48	CCM	Guinea	Africa	Tuberculosis	1,280,662	2,216,403	4,150,327
49	CCM	Guyana	America	HIV/TB	4,339,000	12,313,000	32,690,000
50	CCM	Guyana	America	Malaria	1,370,250	2,617,750	5,930,250
51	CCM	Haiti	America	Malaria	4,488,755	8,202,677	14,892,705
52	CCM	Haiti	America	Tuberculosis	6,313,309	10,685,099	19,986,413
53	CCM	India	South East Asia	HIV/TB	1,250,505	5,897,530	46,272,502
54	CCM	India	South East Asia	Malaria	18,302,204	32,026,036	70,216,368
55	CCM	Indonesia	South East Asia	HIV/AIDS	2,512,660	5,039,397	12,677,023
56	CCM	Indonesia	South East Asia	Malaria	22,569,550	34,162,025	79,793,512
57	CCM	Iran (Islamic Republic of)	Eastern Med.	Malaria	4,098,000	5,451,000	9,440,000
58	CCM	Iran (Islamic Republic of)	Eastern Med.	Tuberculosis	1,937,900	3,267,800	6,609,500
59	CCM	Kazakhstan	Europe	Tuberculosis	12,664,150	25,355,200	31,330,300
60	CCM	Korea, Democratic Peoples Republic of	South East Asia	Malaria	2,063,706	5,502,412	15,698,628
61	CCM	Kyrgyzstan	Europe	Malaria	633,366	1,212,832	2,771,067
62	CCM	Lesotho	Africa	HIV/TB	200,000	400,000	1,000,000

63	CCM	Liberia	Africa	Malaria	3,805,175	4,123,079	4,123,079
64	NGO	Madagascar	Africa	Malaria	2,580,262	4,534,404	9,094,685
65	CCM	Malaysia	Western Pacific	HIV/AIDS	2,731,400	6,090,740	16,782,100
66	CCM	Malaysia	Western Pacific	Integrated	1,825,377	3,320,847	6,818,535
67	CCM	Maldives	South East Asia	HIV/AIDS	1,124,000	1,981,000	4,331,000
68	CCM	Mauritania	Africa	HIV/AIDS	2,480,947	3,484,836	4,962,108
69	CCM	Mauritius	Africa	HIV/AIDS	594,038	969,326	1,731,016
70	Sub-CCM	Mexico	America	HIV/AIDS	4,671,268	9,283,941	22,869,721
71	Sub-CCM	Mexico	America	Tuberculosis	1,921,939	3,615,796	8,673,817
72	NGO	Multi-country Africa(AMREF)	Africa	HIV/TB	1,583,821	3,242,196	8,034,656
73	Reg. Org.	Multi-country Africa(ECOWAS)	Africa	HIV/AIDS	16,300,000	30,985,000	43,925,000
74	Reg. Org.	Multi-country Americas(Andean)	America	Malaria	8,457,480	16,489,093	32,543,343
75	Reg. Org.	Multi-country Americas(CARICOM)	America	HIV/AIDS	8,485,370	18,943,549	56,182,016
76	Reg. Org.	Multi-country South East Asia (TROPMED)	South East Asia	HIV/AIDS	2,181,102	4,125,994	6,229,788
77	CCM	Myanmar	South East Asia	HIV/AIDS	7,254,087	12,090,144	35,091,419
78	CCM	Myanmar	South East Asia	Malaria	3,578,442	10,917,673	34,780,193
79	CCM	Nigeria	Africa	HIV/AIDS	40,829,620	87,783,683	157,186,536
80	CCM	Panama	America	HIV/AIDS	687,661	1,914,176	3,678,467
81	CCM	Papua New Guinea	Western Pacific	HIV/AIDS	1,568,000	3,722,000	6,448,000
82	CCM	Papua New Guinea	Western Pacific	Malaria	2,773,681	7,168,021	33,810,598
83	CCM	Paraguay	America	HIV/AIDS	2,009,081	4,273,432	11,327,100
84	CCM	Paraguay	America	Tuberculosis	16,477,516	30,825,766	84,598,637
85	CCM	Peru	America	HIV/TB	10,835,558	20,194,817	26,547,183
86	CCM	Philippines	Western Pacific	HIV/AIDS	1,476,116	3,221,979	9,158,914
87	CCM	Poland	Europe	HIV/AIDS	5,975,708	12,532,986	26,713,444
88	Sub-CCM	Russia	Europe	HIV/AIDS	3,481,947	7,481,902	7,481,902
89	CCM	Rwanda	Africa	HIV/AIDS	5,485,216	14,427,631	58,598,228
90	CCM	Rwanda	Africa	Malaria	4,452,813	7,574,210	10,097,312
91	CCM	Rwanda	Africa	Tuberculosis	2,641,155	4,399,450	10,064,835
92	CCM	Sao Tome and Principe	Africa	HIV/TB	1,375,030	2779270	2,779,270
93	CCM	Sao Tome and Principe	Africa	Malaria	1,118,133	2,349,697	2,349,697
94	CCM	Senegal	Africa	Tuberculosis	950,629	2,156,243	5,318,523
95	CCM	Seychelles	Africa	HIV/AIDS	2,788,360	5,189,385	8,170,750
96	CCM	Sierra Leone	Africa	HIV/AIDS	10,115,489	20,121,643	43,317,337
97	CCM	Sierra Leone	Africa	Malaria	4,983,375	9,237,011	26,090,781
98	CCM	Somalia	Eastern Med.	Tuberculosis	2,120,052	4,074,698	6,096,695

99	CCM	South Africa	Africa	HIV/AIDS	16,893,000	39,643,000	137,604,000
100	CCM	Sri Lanka	South East Asia	HIV/AIDS	852,000	1,770,000	3,982,000
101	Sub-CCM	Sudan	Eastern Med.	HIV/AIDS	4,530,911	8,535,499	21,527,418
102	CCM	Sudan	Eastern Med.	HIV/AIDS	11,822,526	22,023,166	46,023,166
103	CCM	Sudan	Eastern Med.	Tuberculosis	1,365,599	4,017,825	6,437,825
104	CCM	Suriname	America	HIV/AIDS	1,752,856	2,681,060	5,664,703
105	CCM	Suriname	America	Malaria	1,768,215	3,196,930	5,605,435
106	CCM	Swaziland	Africa	Tuberculosis	932,000	1,875,000	4,254,000
107	CCM	Tanzania	Africa	HIV/TB	21,135,117	48,223,124	212,239,890
108	CCM	Togo	Africa	HIV/TB	479,748	908,360	1,379,848
109	CCM	Togo	Africa	Malaria	1,696,296	3,068,593	4,253,957
110	CCM	Uruguay	America	HIV/AIDS	1,087,500	2,172,800	5,729,900
111	CCM	Uruguay	America	Tuberculosis	53,000	93,000	195,000
112	CCM	Vietnam	Western Pacific	Malaria	3,532,460	7,356,460	15,472,651
113	CCM	Yemen	Eastern Med.	HIV/AIDS	1,820,000	3,650,000	7,510,000
114	CCM	Yemen	Eastern Med.	Tuberculosis	312,152	812,491	3,106,141
115	CCM	Zimbabwe	Africa	Tuberculosis	2,551,535	4,231,910	5,741,285
Category 4					93,926,390	199,458,518	310,398,864
1	NGO	Global(AIDSETI)	Multi Country Region	HIV/AIDS	14,265,000	57,708,000	57,708,000
2	CCM	Indonesia	South East Asia	Tuberculosis	1,531,821	2,302,100	4,677,433
3	CCM	Kazakhstan	Europe	HIV/TB	1,309,400	2,536,700	4,551,400
4	NGO	Lithuania	Europe	HIV/AIDS	1,855,000	3,875,000	10,835,000
5	Reg. Org.	Multi-country Africa (AfricaAlive)	Africa	HIV/AIDS	2,378,406	4,366,142	12,411,590
6	Reg. Org.	Multi-country Africa (SADC)	Africa	HIV/AIDS	2,750,000	4,620,000	9,350,000
7	Reg. Org.	Multi-country Africa (SADC)	Africa	Malaria	26,459,657	51,388,446	79,944,706
8	Reg. Org.	Multi-country Africa (SADC)	Africa	Tuberculosis	9,550,000	12,570,000	20,205,000
9	Reg. Org.	Multi-country Africa(CRHC-ECSA)	Africa	HIV/AIDS	4,803,000	7,340,000	13,521,000
10	NGO	Multi-country Africa(Hope)	Africa	HIV/AIDS	14,093,644	26,636,594	39,431,049
11	Other	Multi-country Africa(Partners in Pop)	Africa	HIV/AIDS	1,350,000	2,850,000	2,850,000
12	NGO	Multi-country Africa(Presbyterian Church)	Africa	Malaria	588,201	1,136,225	1,374,169
13	NGO	Multi-country Africa(Satellite)	Africa	HIV/AIDS	7,004,766	10,704,557	21,944,354
14	CCM	Panama	America	Malaria	283,540	458,284	878,684
15	CCM	Paraguay	America	Malaria	1,957,955	3,542,470	8,331,479
16	CCM	South Africa	Africa	Malaria	3,746,000	7,424,000	22,385,000
131	TOTAL CATEGORY 3 AND 4				627,005,668	1,276,332,898	3,059,106,532
229	OVERALL TOTAL				1,070,114,863	2,160,021,287	5,141,253,690

Annex 3

SECRETARY THOMPSON'S STATEMENT TO THE BOARD OF DIRECTORS OF THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA

Friends, colleagues, fellow Board members. I am sorry I am unable to be with you in Geneva today, but President Bush has asked me to be with him as he addresses his Advisory Council on HIV/AIDS in Washington. Both he and I want to express our deep appreciation for your electing me as Chair of the Board.

It has been an honor and a privilege to serve with you as we got the Fund up and running, and I look forward to continuing our work as we bring the most precious gift of all, the gift of hope to those living with HIV/AIDS, tuberculosis and malaria.

When I was first elected Governor of the State of Wisconsin in 1986, AIDS was still a mysterious disease. From the start I made sure that those suffering from AIDS received care with compassion, understanding, and the very best medical care. Today Wisconsin is regarded as a model state for providing care and treatment, and for effective prevention programs. It was my distinct privilege to help create that response and now more than ever I am convinced of that vital link between prevention, care and treatment in blunting the impact of this epidemic.

Sixteen years later, I find myself still fighting this terrible epidemic as the United States Secretary of Health and Human Services, and as a proud member of the Board of the Global Fund.

As President George W. Bush made it clear in his address to the American people on Tuesday evening, the United States of America and its resources are committed to the fight against global AIDS. We are proud to partner with the Global Fund, with our allies, and with every man, woman and child on this planet as we seek to end this plague.

Last year, I traveled to Africa and the Caribbean, Eastern Europe and Afghanistan and I have witnessed first hand the ravages of these diseases. Two things are forever etched in my memory witnessing the devastation felt by individuals afflicted with the diseases the Global Fund was created to fight; and the shining, persistent hope of those who give comfort to those suffering.

I look forward to being actively engaged at Board meetings as we deliberate together and work together as responsible and accountable stewards of the generous resources that have been entrusted to us. We may not always agree, but I solemnly pledge that I will work to bridge those differences and strive for a sound consensus in the Fund's efforts.

Ours is an enormous task and the world has placed an incredible burden on our shoulders. We must realize that only by investing wisely the resources in scientifically sound projects and by demanding financial accountability, can we demonstrate to the world that they should continue and expand on their commitments to the Global Fund. With the results that I am sure we will shortly be seeing, I am confident that we can successfully convince others to devote more resources the Global Fund.

I am thrilled to hear of the many accomplishments the Board has achieved in just

the last two days; Agreeing to a Conflict of Interest Policy, adopting a budget and work-plan for the coming year, committing to further explore different compositions and structures for the CCMs, in order to give civil society more access, and – most importantly – approving the second round of proposals.

I especially want to thank Seiji Morimoto for his outstanding service as Chair during the past few days, and although he is not with you, I want to pay tribute to Dr. Chrispus Kiyonga for his service as the Chair for the past year.

And congratulations to Dr. Suwit, we have a lot of hard work ahead of us in the next year, and I could not ask for a more dedicated Vice-Chair to take on the job.

My fellow Board members, I promise my door will always be open to you and I will always be available to speak with you. I am pleased to announce to you today that I am going to open an office in Geneva. You all know Dr. William Steiger. He will be my point person here in Washington, if any of you ever need to get in touch with me just call him and I will get back to you within hours.

I look forward to serving as an advocate, champion and spokesman for the Global Fund — and I especially look forward to seeing more nations, companies and individuals become donors to the Fund

Thank you again for granting me the honor to serve as Chair of the Board of the Global Fund.