



Investing in our future

The Global Fund

To Fight AIDS, Tuberculosis and Malaria

**Eighth Board Meeting
Geneva, 28 - 30 June 2004**

GF/B8/2

REPORT OF THE SEVENTH BOARD MEETING

Outline: This document presents the draft Report of the Seventh Board Meeting and includes all decisions made at that meeting. The Report of the Seventh Board is subject to ratification by the Board of the Global Fund at their Eighth Board Meeting on 28 - 30 June 2004, Geneva, Switzerland.

Accompanying documentation from the Seventh Board Meeting is available at www.theglobalfund.org/ or by writing to board@theglobalfund.org.

Decision points are clearly indicated. Bold text indicates follow-up action required.

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Agenda Item 1: Introduction and Welcome

1. The Chair called the meeting to order and requested that all delegates be on time due to the highly ambitious agenda. He opened the meeting by welcoming all of the new Board members, and asked each of the members to introduce him/herself. The Chair then requested a moment of silence in honor of those who had died in Spain in the recent terrorist attacks, as well as to honor those living with HIV/AIDS, tuberculosis and malaria.
2. The Chair remarked that he had recently led a team of 105 individuals on a tour of five African countries. He explained that for the first time he had noticed a degree of hope and a sense of optimism among health ministers and the people, which he attributed in large part to the opportunities provided by the Global Fund and the Emergency Fund of the United States.
3. The Chair thanked and honored Dr. Suwit Wilbulpolprasert, who served as the Board's Vice Chair with passion and commitment. He requested the Board to consider adopting a resolution related to the contribution of Dr Wilbulpolprasert (the resolution was adopted after the meeting and is provided here on page 23). He further remarked that he would like independent consultants to review the Committee structure and suggested the Board approve such a mandate later in the meeting.

Agenda Item 2: Approval of the Agenda

Appointment of the Rapporteur

Approval of the Report of the Sixth Board

1. The Chair proposed Mireille Guigaz of France as the Rapporteur for the Seventh Board Meeting. This proposal was unanimously accepted. The proposed agenda for the Seventh Meeting of the Board was unanimously approved, with the following modifications: Prioritization in Resource Constrained Environments was moved to the second day, an additional Executive Session was added to day one and the approval of the Annual Report was removed from the agenda. The Report of the Sixth Board Meeting was unanimously adopted without comment.
2. Rodrigo Pascal, the Alternate Member for NGOs representing the Communities Living with the Diseases, announced his resignation as the Vice Chair of the Governance and Partnership Committee (GPC), out of frustration over his delegation's lack of voting rights on the Board and what he perceived of as the failure of the GPC to take this issue seriously. He expressed his delegation's view that the Board and the Committee do not acknowledge civil society as equal partners, and urged the Board to consider changing some of its operating procedures.
3. The Chair thanked Mr. Pascal, and asked the Chair of the GPC to respond. The GPC Chair acknowledged that it had failed to come up with a solution for the voting rights of the Communities delegation, and requested the Board to give the committee a broader mandate to find a solution, as there was a strong willingness on the part of the GPC to revisit it. Second, the GPC Chair stated that there were many misunderstandings due to the excessive work load of some of the committees, and urged the Board to look into the work of committees.

Decision Points:

1. Mireille Guigaz from the France (Luxemburg, Spain) Constituency was designated as Rapporteur for the Seventh Board Meeting.
2. The agenda for the Seventh Board Meeting was approved with the following amendments:
 - a. Prioritization in Resource Constrained Environments was moved to Friday 19 March;
 - b. A closed Executive Session will held at the end of the first day (18th March) as well as the beginning of the second day (19th March);
 - c. The approval of the Annual Report has been removed from the agenda. Approval will occur via email in the beginning of April 2004.¹
3. The report of the Sixth Board Meeting was approved.

Agenda Item 3: Election of the Vice Chair

1. The Chair announced that there were two candidates for Vice Chair: Dr. H el ene Rossert-Blavier, of the Developed Country NGO delegation and Smt. Sushma Swaraj, of the South East Asia delegation.
2. Smt. Swaraj stated that she comes from a country that is the largest democracy in the world, and democracy is all about consensus and respecting other points of view. She explained that after being nominated, she learned that a representative of an NGO was also nominated. Given her country's great support for NGOs, she decided to opt out of the election and support the representative from the NGOs from Developed Countries, expressing her desire that the Board work toward a consensus decision. The Chair of the Board expressed his appreciation for her actions, and asked the Board to give her a round of applause. Dr. Rossert-Blavier thanked the Chair, thanked Smt. Swaraj, and acknowledged her country's dedication to NGOs.
3. Dr. Rossert-Blavier asked to say a few words before the formal vote, stating that while the idea of a public-private partnership was sometimes difficult, the commitment to the idea was necessary to scale up the response to the three diseases. She stated that she wanted the Global Fund to be a key partner in the 3 by 5 initiative and expand the role of people living with the diseases in the Global Fund's governance and operations. Finally she wanted to work closely with the Chair to mobilize more resources to guarantee that the Global Fund could meet the demands of those coming from the most affected countries. She concluded by stating that the Board of the Global Fund should serve as a model of inclusiveness for many Country Coordinating Mechanisms, stating that some were ahead of the Board, while many were behind it. She thanked the Board for its support.
4. The Board of Directors unanimously voted Dr. Rossert-Blavier as the Vice Chair of the Board of Directors of the Global Fund.

¹ The Annual Report 2003 was approved by email by Board Members by 17 April 2004.

Decision Points:

1. H  l  ne Rossert-Blavier of the Developed Country NGOs was unanimously elected as Vice Chair of the Board of The Global Fund to Fight AIDS, Tuberculosis and Malaria for the unexpired term of the outgoing Vice Chair.

Agenda Item 4: Report of the Executive Director

1. The Executive Director, Professor Richard Feachem, referred the Board to his Report, which has been distributed prior to the meeting (full report available at www.theglobalfund.org/Board/SeventhBoard/BoardDocuments). He congratulated Dr. Rossert-Blavier on her appointment as Vice Chair, and noted that in spite of the many challenges ahead, the Global Fund had the resources to overcome them. He pledged his and the Secretariat's commitment to the principles that were founded by the Global Fund.

2. One delegate thanked the Executive Director for highlighting the need for harmonization and coordination at all levels, and that the Global Fund should remain focused on its core business. He further appreciated the Executive Director's acknowledgement of the important role of WHO and UNAIDS in the functioning of the Global Fund, and added that governments would have to take the lead in the fight against these diseases.

3. The delegate from the European Commission conveyed her appreciation to Dr. Suwit, and expressed the view that the Global Fund needed to increase its funding to orphans and prevention. She also conveyed her concern on behalf of their Commissioner and the President, of the Commission regarding statements that were recently made by the Executive Director. She wanted to clarify that the EU had limited resources, and many of these resources were allocated and committed and not lying idle. She reminded the Board that the Commission pays 18 percent of the Global Fund's budget, and its members contribute 60 percent.

4. **One delegate requested that subsequent reports be distributed further in advance**, and while applauding the mention of the 3 by 5 campaign, suggested that others could provide technical assistance, not just WHO. The delegate further recognized the need for donors to work together, but stated that the Board had never approved any preference for SWAPS or baskets.

5. The delegate from the Private Sector applauded the Executive Director for mentioning resource mobilization, but stated that he had hoped that he would have mentioned the idea of co-investment as an important way to engage the private sector. He added that companies could expand services in the communities surrounding them, and contribute to building infrastructure, thus expanding the resources available from the Global Fund.

6. Several delegates commented that the emphasis of subsequent reports would need to be shifted to issues and concerns surrounding implementation in the countries. Other delegates commented that there needed to be more recognition of the critical role UN partners played in the provision of technical assistance, and the broader role of civil society.

Agenda Item 5: Phase 2 Grant Renewals

1. The Chair introduced the Chair of the Monitoring, Evaluation, Finance and Audit (MEFA) Committee, Dr Sigrun Mogedal, who presented the Committee's recommendations on Phase 2 Grant Renewals. She asked Marie Rosencrantz of the Secretariat to make a brief presentation of the proposed process for renewals.
2. On the first Decision Point, delegates stressed the importance of making decisions on grant renewals according to clear criteria that included financial accountability as well as performance considerations. Delegates also expressed their concern over the increased demand on CCM partners at the country level when preparing their requests for continued funding. The decision point as prepared by MEFA was approved.
3. On the second Decision Point, the Board discussed the relative merits and demerits of limiting the Phase 2 funding requests to the amounts originally approved for years three to five in the proposal. As several delegates expressed their concern that this would penalize Principal Recipients that had legitimate reasons for spending less in the first two years than originally anticipated, it was decided to keep the language of the decision point as prepared by MEFA. Delegates also noted that the proposed language did not accommodate non-CCM proposals, and therefore the mention of CCMs was deleted from the text.
4. On the third Decision Point, some delegates questioned the delegation of decision making authority to the Secretariat, believing that the Board needed to retain this fiduciary responsibility. Other delegates pointed out that the Board had already approved programs for up to five years, while funds are initially committed for the first two years. Having the Secretariat review and decide on Phase 2 grant renewals would be the most efficient manner of working, especially considering the large volume of work involved and that renewal decisions would need to be made on an on-going basis throughout the year. Some delegates also expressed concern of potential politicization of decisions if the Board would make Phase 2 decisions. It was noted that the decisions should be made on technical grounds only. The Executive Director reminded the Board that the Secretariat could not sign agreements or renewals without the liquid assets being available to cover the totality of these commitments. The motion to have the Board make Phase 2 decisions was rejected.
5. Delegates also expressed concern over the potential gap that could exist over Phase 2 funding approvals and available resources. It was noted that the Phase 2 renewals are to be subject to resource availability to the Global Fund. Another delegate asked that the wording be changed to state that the Secretariat would have appropriate technical assistance. This too was not accepted by the Board.
6. Delegates discussed the merits of adding text to the Decision so as to explicitly state that the Secretariat can adjust the start dates of grants to reflect program realities for already signed round 1 and 2 grants. While this was presented in the background documents, the Board decided to add this to the Decision Points in order to highlight its significance, noting that these negotiations would happen with the Principal Recipients rather than the CCMs.
7. Before the session ended, a motion was presented regarding the review of committee structures but the language was not acceptable and the motion was tabled to later in the meeting (see decision points on page 20).

Decision Points:

1. Phase 2 grant renewal decisions will be made according to clear criteria for satisfactory grant performance, financial accountability and contextual considerations, subject to Global Fund resource availability. The decision will be based on systematically collected information, which will be made transparently available by the Global Fund through Grant Fact Sheets and Grant Score Cards.
2. A Request for Continued Funding, up to a maximum of the original approved Proposal less funds spent during the initial grant period (years 1-2)², will be reviewed and may be adjusted for reasonableness. Program objectives for Phase 2 are expected to be broadly consistent with the original approved Proposal, with reprogramming subject to review.
3. The Board delegates the authority to make Phase 2 grant commitments to the Secretariat according to the policies and review and decision process set forth in this document. The Board will confirm all decisions to discontinue funding based on reviews by the Secretariat and the TRP. The Secretariat will regularly report on Phase 2 grant commitments to MEFA and PMPC. The PMPC Chair will inform the Board at each Board Meeting. The Technical Evaluation Reference Group (TERG) will regularly review and report on the soundness of the Phase 2 review and decision process to the Board through MEFA.

The Phase 2 decisions will be taken 20 months after the start date for grant programs with exceptions for *force majeure* situations. The decision may be taken earlier in cases of (i) accelerated implementation; or (ii) severe exchange rate fluctuations.

For Rounds 1 and 2 grants, the start date of each grant program may be adjusted to reflect program realities. This will be achieved through negotiations between the Secretariat and the PR.

Agenda Item 6: Replenishment Mechanism

1. The Chair introduced Professor Lucas who presented the conclusions of the Resource Mobilization and Communications Committee (RMCC) regarding the replenishment mechanism for resource mobilization.
2. Professor Lucas gave a presentation summarizing the key points of the Committee's research and discussions, including the ability of a voluntary replenishment mechanism to cover most predictable resource needs over a set period of time, with an ad hoc option for donors who could not participate. He summarized the RMCC recommendations, including that a conference for voluntary replenishment be organized periodically for a set period of time with the first to be held at the end of 2004; that participating donors be asked to back all pledges above a minimum threshold of US\$ 10 million with cash or promissory notes; that the first replenishment period be set at two years to cover 2005-06; that subsequent conferences be organized to begin 12 months before the end of the current replenishment period; and that current and potential public and private sector donors participate with the addition of representation from recipient countries, NGOs and the Secretariat. He observed that subsequent periods could be longer depending on the experience of the first round and

² The amount of the original approved Proposal for the full Proposal period, following adjustments from TRP clarifications and phase 1 grant negotiations, less the amount disbursed by the Global Fund to PRs at the end of the phase 1 period.

that the costs of the conference, which would be held in Geneva, should be minimal and not more than 10 percent of the Resource Mobilization budget.

3. Professor Lucas then reiterated that the Committee was recommending that the Board adopt the paper on the Voluntary Replenishment Mechanism Process and accept the recommendations therein.

4. Questions and discussion followed concerning the issue of a minimum threshold, which had been recommended to facilitate Trustee management. The World Bank agreed that it would cost more to manage smaller amounts and said that while it would be willing to manage smaller amounts, it would not wish to go below US\$ 1 million. After discussion, a motion was passed with the threshold for promissory notes set at US\$ 1 million.

5. Questions and discussion followed regarding the necessity for a low-cost, non-ceremonial, purely functional meeting. Many felt that ten percent of the Resource Mobilization budget was too high. A number of delegates concurred with the observation that the Committee's paper suggested a conference that was more ceremonial than necessary and that these conferences were time-consuming to organize and not always as successful as desired. Concern was also expressed about the lack of reference to the Global Fund principle of additionality, the critical need to find ways to fund technical assistance in recipient countries and the need for peer pressure to increase financial commitments to the Global Fund rather than creating a purely voluntary and passive system for pledging.

6. Delegates agreed that the experience of other organizations in holding funding conferences should be used. It was proposed that the conference include the presentation of minimum, middle-ground and ideal funding scenarios, rather than only one. A number of delegates noted that with the creation of an authoritative replenishment body, the Global Fund could face some difficulties excluding it from pronouncing on policy questions, despite the fact that that would not be the mandate of the replenishment body. There was then discussion about making the replenishment time period subject to the budgetary requirements of donors.

7. The recommendation of the Committee, amended, was passed and the report adopted. A motion was then proposed and passed to require operational modalities of the voluntary replenishment mechanism to be further detailed and reported on for the June Board Meeting. The World Bank delegate agreed that the Trustee would provide technical advice on operationalizing the replenishment mechanism.

8. The Chair closed the session with thanks to the RMCC for all the work it had done and gave the floor to the private sector delegate. The delegate expressed concern about the lack of progress being made on in-kind donations. **He strongly encouraged a decision to be taken at the June Board Meeting to enable policy decision-making and implementation.** It was agreed to delay further discussion until the next day.

Decision Points:

1. The Board adopts Annex 5 of the Report of the Resource Mobilization and Communications Committee (GF/B7/10) on the Voluntary Replenishment Process (as amended) in terms of purpose and scope of the voluntary replenishment, its period and coverage and requests the RMCC to further develop detailed operational modalities to be presented at the Eighth Board Meeting.

Amendment (on pages 37-38):

The Fund will ask donors, who participate in the replenishment mechanism, to back all pledges with either cash, or promissory notes, callable on a schedule matching expected Fund disbursements. The minimum threshold for promissory notes would be of US \$1 million [*\$10 million is replaced by \$1 million*].

Agenda Item 7: Financial Statements 2003 and Secretariat Budget 2004

External Audit 2003

Trustee Report

Financial Statements and External Audit 2003

1 The Chair gave the floor to the Chair of the MEFA Committee to introduce the financial statements for 2003. The Chief Financial Officer of the Global Fund Secretariat was then invited to present an overview of financial performance in 2003 and the audited financial statements. Questions and discussion followed.

2. A motion was proposed and passed to allow MEFA to examine any item in the budget by requesting an in-depth examination by the auditor in addition to the general audit of the books and that any Board member could propose to MEFA an item for in-depth auditing. The financial statements for 2003 were approved for issuance.

3. A request was made of the Secretariat to provide detail in writing on the approved use of cash in the Global Fund bank account and to provide detailed information on staffing within the Secretariat and any requests to increase staffing levels.

Trustee Report

4. The delegate of the Trustee indicated that the Trust Fund is healthy. **He noted that there were two areas where the World Bank wished to work with the Secretariat: the development of an operational framework for working with promissory notes and the issue of foreign currency exposure and the handling of currency risk.** Some discussion followed regarding currency hedging.

Secretariat Budget 2004

5. The Chief Financial Officer then referred the Board to the Secretariat's proposed 2004 budget and work plan, and presented the highlights to the Board. The Chair of the Committee added that the Secretariat had requested a supplementary budget to offset the increased work load due to Phase 2 Funding Decisions, but advised the Board that the Committee did not recommend it at that time, as the Committee felt that there was not enough information available. She noted, however, that the Committee recommended that the Board re-visit this in the future. In addition to the approval of the budget, MEFA was recommending that the Board approve a request from the Secretariat for unlimited transfers between expense categories, with a provision to review and revise in light of future experiences.

6. A delegate put forth a motion to have the Secretariat conduct an analysis of the Secretariat's staffing levels and skills mix, which was adopted.

7. Some delegates questioned the 66% increase in the proposed budget for 2004 over the approved budget for 2003. Other delegates congratulated the Executive Director for coming in under budget in 2003, and felt that in relative terms, the Secretariat's budget was small in comparison to the overall operations of the Global Fund. Several delegates expressed their concern over the amounts budgeted for staffing, travel and monitoring and evaluation. One delegate put forth a motion to approve 90 percent of the budget that day, and hold the additional 10 percent for review at a later date. This was not approved by the Board. One delegate put forth a motion to have the MEFA Committee review the use of the Contingency Fund, which was approved. The Board approved the Secretariat's budget for 2004.

8. A Delegate put forth a motion that all future Board decisions should show the budget implications of each decision. This motion was unanimously approved.

Decision Points:

1. The Board approves the 2003 Financial Statements of the Global Fund which have been audited by Ernst & Young.

From the 2004 audit, any Board member can contact the MEFA Committee to bring to the Board an item that the auditor should analyze.

2. The Board mandates MEFA to propose a policy regarding the timeframe from approval to signature of Grant Agreements.

3. The Board approves the 2004 Operating Expense Budget in the amount of US\$ 52,668,000 as set out in Annex 10 of the Monitoring, Evaluation, Finance & Audit (MEFA) Report GF/B7/8.

4. The Board approves that, with regard to Secretariat flexibility to transfer budget between functions and expense types within the overall budget, the following rules shall apply :

- a. Maintain the separation between the budget for LFA Fees and that for Secretariat Expenses. No transfers are allowed between these two items.
- b. Within the budget for Secretariat Expenses, allow transfers between the following five groups of functions (Portfolio Management and TRP; Strategy, Evaluation and Program Support; External Relations; Executive Director and Board Relations; and Operations) subject to the approval of MEFA.
- c. Within the budget for each functional grouping, allow unlimited transfers between expense lines.
- d. That MEFA shall review and, if considered necessary, adjust this policy in the light of experience during 2004.
- e. MEFA shall have the final approval authority for the use of contingency funds.

5. Each recommendation submitted to the Board for adoption will include an annex to inform the Board of its budgetary implications.

6. The Board instructs the Secretariat to conduct, under MEFA oversight, an analysis of Secretariat staffing levels and skills mix, including a mix of fixed and temporary staff and the profile of salaries and benefits, to inform the preparation of the 2005 budget, and that this analysis together with the Secretariat recommendations for the profile of a mature Secretariat for Global Fund operations, be submitted to the Ninth Board Meeting together with the 2005 budget for approval.

Agenda Item 8: Executive Session – Performance Assessment Committee Reportback

1. [text pending on closed session]

Decision Points:

1. The Board of the Global Fund agrees to reappoint Dr. Richard Feachem as Executive Director of the Global Fund.
2. Terms of reference for the Executive Director will be developed and presented for decision at the Eighth Board Meeting.
3. The Board will establish an annual performance review process for the Executive Director.

Agenda Item 9: WHO Update on 3 by 5 Initiative

1. Dr Jack Chow, Assistant Director General, HIV/AIDS, Tuberculosis and Malaria at the World Health Organization presented an update on the 3 by 5 Initiative to the Board. The full report is available at: <http://www.theglobalfund.org/Board/>(CHECK!).

2. In support of the 3 by 5 Initiative and the work required by WHO and UNAIDS to implement it successfully, a delegate presented a new decision point on the provision of support for the initiative.

3. Delegates strongly supported and applauded the 3 by 5 initiative and noted that WHO did not have the funding to provide the technical assistance required in order for countries to scale up dramatically. One delegation pointed out that bi-lateral donors were also providing technical assistance and that the Board should not put a premium on technical assistance provided by one agency only. Some delegations urged that technical support should be provided to CCMs and NGOs as well as PRs and that technical support should be provided by local expertise to ensure the initiative was a success. The areas of laboratory support, infrastructure support and health information management systems were cited as areas requiring technical support. One delegate expressed concern over the need for coordination between the many HIV/AIDS initiatives currently in play.

4. The Board unanimously approved the new decision point.

Decision Point:

1. The Board supports the 3 by 5 initiative launched by WHO and UNAIDS. Its success will be vital to the goals of the Global Fund. We wish to ensure that WHO and UNAIDS are fully supported to play their part in contributing to these goals, which have been endorsed in various international forums. This should be mainly implemented at the country and regional level.

Agenda Item 10: Prioritization in Resource Constrained Environments

1. The Chair requested the Chair of the Portfolio Management and Procurement Committee (PMPC), Prof. Francis Omaswa, to present this item. The PMPC chair noted that the work was shared with the Monitoring, Evaluation, Finance and Audit Committee (MEFA) and thanked MEFA, the Secretariat and the TRP for their collaboration.

2. The Board was reminded that at the Sixth Board Meeting it was agreed that technical merit would be used to determine proposal approval. It was further agreed at the Sixth Board Meeting that the TRP should refine its recommendations in category 2 in a way which would facilitate the Board's prioritization of proposals for approval. Should it be necessary to prioritize category 2 within sub-categories due to a resource-constrained environment, the Board determined that poverty, disease burden, repeated failures for the same component and other criteria as deemed appropriate by the Board should be criteria for prioritization.

3. The Secretariat was tasked to work with the PMPC to operationalize the principles and weightings for prioritization among TRP-recommended proposals. Two approaches were considered. The first was the composite index that weighs and combines the three criteria identified to assign a single "score" to each proposal and uses these to organize proposals into groups. The second approach was the decision tree which utilizes objective answers to a series of questions to group proposals into priority categories. The PMPC unanimously agreed to use the composite index, primarily because it was considered a more flexible option, and allowed an equal weighting to be given to multiple criteria. The PMPC recommended continuing with the World Bank income and disease burden classifications and agreed that poverty and disease burden would be accorded equal weighing. No consensus could be reached on the relative weighting of repeated failures.

4. Delegates supported the composite index methodology and commented on the importance of prioritizing TRP-recommended proposals by the criteria agreed. It was also noted that there was no clear way of identifying specific and objective criteria for the subcategories 2A and 2B and that the criteria should be applied to category 2 as a whole.

5. Some delegates suggested that these criteria may be too limited as they still excluded pockets of poverty and do not address countries which may have explosions of disease. The Board approved unanimously the selection of the composite index.

6. While the criteria of disease burden and poverty as defined by the World Bank were accepted by the Board to be used in the composite index, there was some discussion over the third criterion, repeated failures, which had not received consensus on a relative weighting by the PMPC. Two issues were discussed, the wording of “repeated failures” and the definition of this criteria.

7. A motion to refine and soften the wording was proposed. This refinement sought to minimize the notion of failure and to broaden the definition from repeated failures in gaining TRP approval for a single component, to include eligible countries that had which had not yet received funding from the Global Fund for any disease component.

8. Several delegations noted that poverty and disease burden were more important than “repeated failures” but that the definition and wording for all three criteria had been agreed. It was noted that should the new language for “repeated failures” be adopted that this would have practical implications particularly for Round 4 and would need a new scoring system to be approved by the Board.

9. The Chair suggested that, due to the need to focus on Round 4, the Board confirm poverty and disease burden at this Board as the criteria for prioritization in resource-constrained environments. **He further proposed that the PMPC undertake work on the issue of repeated failures and the proposed amendment to broaden the eligibility for this criterion.** The Board agreed unanimously to the following decision points.

Decision Points:

The Board adopts the following system for prioritizing among TRP-recommended proposals in the event that insufficient resources are immediately available to approve all TRP-recommended proposals:

1. A composite index would be used to assign scores to TRP-recommended proposals, as described below.
2. For Round 4, the criteria used in this composite index would be poverty and disease burden. The Board requests the PMPC to review the possibility of including an additional criteria for the Fifth and subsequent Rounds around repeated failures and countries that have not previously received funding.
3. The indicators, values, and scores for the first two criteria are:

Criteria	Indicator	Value	Score
Disease burden	Eligibility criteria for proposals from Upper-Middle Income countries (applied to all proposals)	“Very high”	4
		Not “very high”	1
Poverty	World Bank classification	Low Income	4
		Lower-Middle Income	2
		Upper-Middle Income	0

4. In the event that insufficient resources are immediately available to finance all TRP-recommended proposals, TRP-recommended proposals would be financed in the following order:
 1. Proposals in TRP category 1
 2. Proposals in TRP category 2.
5. If category 2 is sub-classified by the TRP into subcategories, these would be financed sequentially, with the proposals in the higher-rated subcategories being financed before those in lower-rated subcategories.
6. Proposals in the highest-rated category (or subcategory, if category 2 is broken down by the TRP into subcategories) for which insufficient resources are available would be assigned a score in accordance with the above table. They would then be financed in descending order (with the highest scoring proposals receiving priority).
7. There would be no further subdivision of the groups formed by the combination of the TRP category/subcategory and score would be made.
8. If insufficient resources are available to immediately finance all TRP-recommended proposals, the Secretariat would be responsible for assigning scores to proposals and would present the Board with these scores at the time of the Board's consideration of the TRP's recommendations.

Agenda Item 11: Additional MEFA Items

Appointment of the TERG

Exchange Rate Fluctuations

Promissory Notes

1. The Chair invited the Chair of MEFA to provide an overview of the Monitoring and Evaluation Operations plan (GF/B8/8, Annex 5) and the Appointment of the Technical Evaluation Reference Group (TERG; Annex 6)
2. The MEFA Chair noted that the Sixth Board Meeting confirmed the establishment of the TERG and agreed that the TERG would support the Monitoring and Evaluation work of the Global Fund. The TERG would report at least annually to the Fund's Board through MEFA on issues which it determines may require Board attention.
3. The TERG would provide advice to the Global Fund Secretariat on evaluation approaches and practices, independence, reporting procedures and other technical managerial aspects of monitoring and evaluation at all levels.
4. The Secretariat received 39 nominations for the TERG membership. An independent external evaluation of all the nominees and an assessment and classification performed by the Secretariat was presented to MEFA in January 2004. Based on criteria set forth in the Terms of Reference for the TERG, MEFA selected a shortlist of 8 candidates and 4 alternates. Added to this were 4 *ex officio* members, the Chair of the MEFA Committee, and the chairs of the monitoring and evaluation reference panels of UNAIDS, Roll Back Malaria and Stop TB.
5. One delegate expressed concern regarding difficulties in following MEFA's work on the selection of the TERG, citing that Japan had not been aware of a deadline for submission of

nominations for the TERG and asked the Board to delay approval of the identified candidates.

6. Rather than delaying the approval of candidates already selected, **the Chair suggested that the Board approve the shortlist of candidates for the TERG at this Board and allow Japan to provide nomination(s) for the TERG which would be reviewed by MEFA.**

7. In response to Japan's request to join the MEFA Committee, the Chair suggested that this could be achieved through the review of the status of committees and their work.

Protecting Grants from the Impact of Exchange Rate Fluctuations

8. MEFA provided their response to concerns which had been raised regarding the impact of the US dollar depreciating against other currencies in the period since the Global Fund had invited grant proposals and made grants in US dollars (see GF/B7/8 Annex 11). The options provided to the Board were to assist in situations where a significant element of the grant recipients' expenditure is in currencies other than the US dollar and where grants have been depleted leading to potential funding shortfalls.

9. MEFA presented three options to address the impact of exchange rate fluctuations:

- a. Acceleration of Phase 2 funding
- b. Provision of top up grants
- c. Consideration of providing multicurrency grants.

The first option could be implemented immediately on Board approval. The other options required further analysis. It was agreed to adopt the first and do further analysis of the second and third options.

10. One delegation expressed concern regarding the significant impact that currency fluctuations were having on programs and proposed that a decision point should be included which provided for the study of possible stabilization mechanisms.

Criteria for Considering Promissory Notes as Assets

11. The Chair requested MEFA to present their case for the criteria for promissory notes. The Sixth Board Meeting had agreed that both cash and demand promissory notes should be considered as assets for the purposes of signing grant agreements. The Secretariat was instructed to work with the Trustee and MEFA to determine the specific criteria on promissory notes to be considered as assets.

12. It was noted that the practice of using promissory notes would become more widespread on introduction of the Voluntary Replenishment Mechanism, particularly the decision on the US\$ 1 million minimum for promissory notes.

13. It was noted that while promissory notes might be designated as payable on demand, the typical practice in replenishment schemes was to call the notes for encashment as and when the money is needed to fund disbursements. Hence an 'encashment schedule' is often agreed as part of the replenishment terms.

14. The decision point was adopted by consensus.

Decision Points:

1. The Board confirms the shortlist of nominations for the Technical Evaluation Reference Group (TERG) as presented by the Selection Committee
2. The Board invites the Japan delegation to submit nominations for the TERG to be considered by the MEFA Committee
3. The Board approves that in cases where a funding shortfall caused by an adverse currency fluctuation is jeopardizing the viability of the grant-supported program, the CCM may apply for Phase 2 funding on an accelerated basis in order to permit the program to continue uninterrupted without curtailing program activity.
4. The Board approves that the Secretariat evaluate the implications of the Global Fund offering top-up grants and multi-currency denominated grants as further means of protecting grants from the impact of exchange rate fluctuations and to present its analysis and recommendations to the Board in June 2004.
5. The Board approves to mandate the Secretariat and the MEFA Committee to study possible stabilization mechanisms, including topping-up grants and multi-currency grants, aimed at protecting grants from the impact of exchange rate fluctuations. The MEFA Committee will present its analysis and recommendations to the Board at the Eighth Board Meeting.
6. The Global Fund shall consider as assets for the purposes of entering into grant agreements, promissory notes or similar obligations issued by the government of a sovereign states (or its designated depository) which shall be non-negotiable, non-interest bearing and payable at par value to the account of the Fund in the designated depository or demand or in accordance with an encashment schedule agreed between the contributor and the Secretariat.

Agenda Item 12: Appointment of TRP

Eligibility

Procurement (Pre-Qualification)

1. The Chair of the Portfolio Management and Procurement Committee (PMPC) referred the Board to its recommendation on the composition of the Technical Review Panel. Delegates thanked the Committee for its work, but expressed some concern about gender and geographic balance. It was recommended that in the future, the Committee should re-advertise if the initial process did not yield a balanced panel. The Board unanimously approved the Committee's recommendation.

Eligibility

2. The Secretariat presented two options for eligibility in the 5th and subsequent rounds. One left the current eligibility criteria for proposals from upper-middle income countries unchanged, whereas the second allowed proposals from these countries if they focused exclusively on vulnerable populations that do not receive significant financing from other sources. Several delegates stated that proposals from upper-middle income countries that focus exclusively on vulnerable groups should be considered for funding, while recognizing that there was a need to clearly define the term "vulnerable." Other delegates expressed their

concern that the Global Fund was established to provide funds to countries in need, and that upper-middle income countries had the responsibility to provide services to vulnerable groups in their countries. A roll call vote was taken, and neither option was approved by the Board, although the first option (of not expanding the eligibility criteria) received a simple majority from both voting blocks. The Chair therefore recognized that the eligibility requirements for proposals from upper-middle income countries approved for Round 4 would apply for Round 5 or until the Board could reach a decision to change the criteria.

Pre-qualification of and competition between procurement agents

3. The Secretariat presented the Committee's recommendation regarding WHO's work on pre-qualifying procurement agents. One delegate suggested an amendment, which was unanimously approved by the Board without discussion.

4. The Board considered the Committee's near consensus recommendation on the use of procurement agents, agreeing that an interim solution was required until WHO completed its qualification exercise. One delegate proposed an amended text, which was approved by the Board without discussion.

5. The delegate from the Private Sector put forth a motion requesting that the PMPC and the Resource Mobilization Committee jointly form a working group on in-kind donations. However, the Chair of the PMPC expressed his concern that there was insufficient time to accomplish this before the Eighth Board Meeting, and the motion was tabled.

Decision Points:

1. The Board accepts the list of persons contained in Annex 3 that have been selected by the PMPC and the Executive Director to fill the vacancies on the Technical Review Panel for 3 HIV/AIDS experts, 1 malaria expert, 1 tuberculosis expert, and 4 cross-cutting experts.

2. The Board accepts the list of persons contained in Annex 4 that have been selected by the PMPC and the Executive Director to comprise the TRP Support Group.

3. The Board approves the recommendation from the PMPC that it commend the work of the World Health Organization in its work with other partners to develop a system for pre-qualifying procurement agents and report back to the Eighth Board Meeting on the progress in developing such a system.

4. The Board endorses the PMPC recommendation that it allow recipients that are using procurement agents for health products to select among them using whatever system the recipients wish provided that it is competitively and transparently selected, based on quality, cost, and level of service.

Agenda Item 13: Additional Safeguard Policy Ethics and Conflict of Interest Policy Change to Board Operating Procedures

1. In the absence of both the Chair and Vice Chair of the Committee, a representative of the Governance and Partnership Committee referred the Board to the Additional Safeguard

Policy. A delegate suggested an amendment to the Decision Point, which was approved without discussion.

2. A delegate put forth a motion requesting the Committee to develop a standard template grant agreement that clearly outlines the roles and responsibilities of the main actors involved in the grant disbursement process. After a brief discussion regarding the most appropriate Committee for this task, the Board approved the motion.

3. The Board considered a suggestion by the Chair to commission a study of the structures, role and composition of Board Committees. Delegates briefly discussed the timing of this study, and decided that this study should be presented to the Board by the Governance and Partnership Committee at the Ninth Board Meeting.

4. A representative of the Committee presented the Committee's recommendations on the substantive changes to the Conflict of Interest Policy. Delegates discussed the relative merits of the post-Board employment section, and decided to refer it back to the Committee. The remaining sections were approved without discussion.

5. A delegate requested that the Committee also consider expanding the membership of the Ethics Committee from four to six members, and include an independent ethics expert and non-governmental members on the committee. **The Board decided to table this issue until the next Board Meeting.**

6. The Committee requested the Board to be given a broader mandate to explore the voting rights of NGOs Representing Communities Living with the Diseases. Some delegates expressed concern that this was a significant policy decision, and therefore needed to be considered by the entire Board. Other delegates reminded the Board that Committees had an option to invite delegates to participate in these discussions if they were not represented on the Committee. The Board approved the proposed broader mandate.

7. The Board approved the proposed amendment to its Operating Procedures without discussion.

Decision Points:

1. The Board adopts the paper on the Additional Safeguard Policy as outlined in Annex 4.

2. The Board requests the Secretariat to include additional operating principals/procedures to address non-performance of PRs in appropriately rapid disbursement of Global Fund grant funds to sub-recipients.

3. The Board requests the Governance and Partnership Committee, in consultation with its other appropriate bodies, to develop a standard template grant agreement containing clear and detailed definition of role, obligations and competence of main actors in grant disbursement process (i.e. CCM, LFA, PR, Global Fund Secretariat) and to elaborate procedures for ensuring timely, sound and unhindered implementation of grant agreements for consideration by the Board at its Eighth meeting.

4. The Board mandates a study of, and recommendations regarding, the structures, role and composition of any Board committees. The findings and recommendations of the study should be presented, via the Governance and Partnership Committee with options, to the Board at the Ninth Board Meeting.

5. The Board adopts the revised version of the Policy on Ethics and Conflict of Interest for Global Fund Institutions as outlined in Annex 5 with the exception of the changes on Post-Board employment should be referred back to the committee (Section 7 GF/B7/7 page 6).

5. The Board requests the GPC to address the conditions under which the Communities delegation can become a voting member of the Board and report back with decision points to the Eighth Board Meeting.

6. The Board adopts the proposed amendment to Article A. Paragraph 1 of the Board Operating Procedures as underlined below:

Board Members terms shall begin at the opening of the first Board Meeting in a given year, and end at the opening of the first Board Meeting in the second calendar year following the commencement of their term.

Agenda Item 14: Round 3 Appeals

1. The Chair asked the Secretariat to present the recommendations of the Appeals Panel. The Appeal Panel convened on the 12 and 14 of February, 2004 to discuss the appeals submitted to the Global Fund after the Round 3 outcome. The Panel reviewed six proposals and recommended the following three for funding:

Suriname HIV/AIDS
Yemen HIV/AIDS and
Multi-Country Andean Region Malaria.

2. The Board approved these recommendations without discussion.

Decision Points:

1. The Board endorses the Appeal Panel's recommendation that the following proposals be approved as category 2 proposals, with final approval contingent on the successful completion of the Technical Review Panel clarification process:

1. Suriname HIV/AIDS;
2. Yemen HIV/AIDS and
3. Multi-Country America Andean Region Malaria.

Agenda Item 15: Update on Partnership Forum

1. The Chair of the Partnership Forum Steering Committee, Dr Helene Gayle, presented an update on the preparations for the Partnership Forum, which would be held in Bangkok, Thailand on July 7 – 8, 2004, immediately preceding the 2004 International Conference on HIV/AIDS.

2. Participation in the Forum will be open to a wide range of stakeholders that share the Fund's objectives, including representatives of affected communities, civil society, non-

governmental and community based organizations, donors, multilateral development cooperation agencies, developed and developing countries, technical and research agencies, foundations and the private sector. An estimated 600 participants will attend the Forum, with proportional representation of people living with the three diseases. The actual breakdown of participation among the various constituents is being determined.

3. The Forum seeks to balance inclusion of a wide range of voices with a reasonable number of participants. This will include some processes to promote fair representation of all stakeholders and constituencies. One process is the online discussion, launched during the week of March 8, 2004. The Board will be updated on how to access the online discussions.

4. The Secretariat is organizing a series of Regional Meetings, the first to be held in Amman, Jordan at the end of the month. These Regional meetings will provide the opportunity for input at the Regional level that will contribute to the Partnership Forum.

[At this point the Chair and Vice Chair of the Board had to leave the meeting, they designated a Board Member to Chair the final session before Closure].

Agenda Item 16: Technical Assistance

1. A delegate put forth a motion instructing the Secretariat to assist grantees in identifying competent and independent local, regional, bilateral and international partners capable of providing technical assistance to CCMs, PRs and other relevant bodies.

2. A brief discussion was held on technical assistance. The Secretariat shared concerns about work load and timeframes for completing the tasks required by the proposal. The proposal required extra meetings, travel, and coordination between the MEFA and PMPC committees and was not considered a realistic timeframe. Other delegates noted the importance of the proposal but agreed that the timeframe was not realistic.

3. Some Board members felt that the proposal merited a discussion not just on technical assistance but on building existing infrastructures and utilization of local expertise. **It was therefore decided to table the proposal for the Eighth Board Meeting due to the insufficient time to appropriately discuss the proposal.**

4. **One delegate asked that the issue of financial support to constituencies be considered for the next Board Meeting.** In addition, she asked for clarity on the Global Fund calendar for November 2004, specifically regarding the Global Fund Summit. It was clarified that the Summit required only voluntary participation by Board Members.

Agenda Item 17: Closure

1. The (acting) Chair thanked the Board Members for their hard work and efficiency in completing the agenda and asked for a motion to adjourn the meeting which was approved.

Annex 1: Decision on the Outgoing Vice Chair

Additional Decision Point on the Outgoing Vice Chair taken by email after the meeting:

1. The Board recognizes the valuable contribution of Dr. Suwit Wilbulpolprasert from South East Asia in his role as Vice Chair of the Board from January 2003 to March 2004, and extends its appreciation for his leadership, dedication and commitment in supporting the Global Fund and for his major role in developing the Global Fund partnership as a member of the founding Board and as Chair of the Portfolio Management and Procurement Committee.