



Investing in our future

**The Global Fund**

To Fight AIDS, Tuberculosis and Malaria

**Eleventh Board Meeting  
Geneva, 28-30 September 2005**

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**GF/B11/2**

## **REPORT OF THE TENTH BOARD MEETING**

**Outline:** This document presents the draft Report of the Tenth Board Meeting and includes all decisions made at that meeting. The Report of the Tenth Board is subject to ratification by the Board of the Global Fund at their Eleventh Board Meeting on 28-30 September 2005 in Geneva, Switzerland.

Accompanying documentation from the Tenth Board Meeting is available at [www.theglobalfund.org](http://www.theglobalfund.org) or by writing to [board@theglobalfund.org](mailto:board@theglobalfund.org).

Decision points are clearly indicated.

### **Decision Point:**

1. The Board approves the Report of the Tenth Board Meeting.

## TABLE OF CONTENTS

<b>Agenda Item 1: Introduction and Welcome .....</b>	<b>3</b>
<b>Agenda Item 2: Appointment of Rapporteur.....</b>	<b>3</b>
<b>Approval of the Agenda .....</b>	<b>3</b>
<b>Approval of the Report of the Ninth Board Meeting .....</b>	<b>3</b>
<b>Agenda Item 3: Report of the Executive Director.....</b>	<b>4</b>
<b>Agenda Item 4: Operations Update .....</b>	<b>6</b>
<b>Agenda Item 5: Board Elections .....</b>	<b>7</b>
<b>Agenda Item 6: Ethics Committee .....</b>	<b>7</b>
<b>Agenda Item 7: Report on the Board Consultation .....</b>	<b>8</b>
<b>Agenda Item 8: Committee Restructuring .....</b>	<b>8</b>
<b>Agenda Item 9: CCMs; MOU with Stop TB.....</b>	<b>11</b>
<b>Commencement of the Terms of the Chair and Vice-Chair .....</b>	<b>11</b>
<b>Agenda Item 10: Replenishment.....</b>	<b>13</b>
<b>Agenda Item 11: 2004 Financial Statements and Audit.....</b>	<b>15</b>
<b>Agenda Item 12: Trustee Report.....</b>	<b>16</b>
<b>Agenda Item 13: Investment Policy and Fiscal Management Study.....</b>	<b>17</b>
<b>2005 Budget Recap and Outlook.....</b>	<b>17</b>
<b>Currency Risk Management.....</b>	<b>17</b>
<b>Office Space.....</b>	<b>17</b>
<b>Timelines for Grant Signing.....</b>	<b>17</b>
<b>TERG Report.....</b>	<b>17</b>
<b>Agenda Item 14: Phase 2.....</b>	<b>19</b>
<b>Agenda Item 15: Annual Report.....</b>	<b>23</b>
<b>Agenda Item 16: Chair's Budget.....</b>	<b>23</b>
<b>Agenda Item 17: Office of the Inspector General .....</b>	<b>24</b>
<b>Agenda Item 18: Outgoing Chair and Vice-Chair of the Board .....</b>	<b>24</b>
<b>Agenda Item 19: Quality Assurance of Limited and Single Source Pharmaceutical Products.....</b>	<b>25</b>
<b>Agenda Item 20: LFA Workplan .....</b>	<b>29</b>
<b>Agenda Item 21: Any Other Business .....</b>	<b>30</b>
<b>Agenda Item 22: Title of Chair and Vice-Chair (Emeritus).....</b>	<b>31</b>

## **Agenda Item 1: Introduction and Welcome**

1. Board Chair Tommy Thompson called the meeting to order and asked for a moment of silence for all those who had passed away since the last Board meeting as a result of AIDS, tuberculosis or malaria. He then asked for all present to hold Vice-Chair Dr. Hélène Rossert-Blavier in their thoughts and prayers and to wish her strength as she started her cancer treatment.

2. The Chair noted that this would be his last Board meeting as a member and as Chair. He remarked that despite differing backgrounds, countries and opinions, the Board had worked cooperatively towards the goal of halting and reversing the spread of AIDS, tuberculosis and malaria. He thanked Board members for their commitment and their friendship and asked that they extend the same to the new Chair. He reviewed the Global Fund's accomplishments to date and congratulated all members for their passion and dedication. The Chair then introduced Ambassador Randall Tobias as his successor as US delegate to the Board.

3. The Chair dedicated the Board meeting to those living with and affected by the three diseases and asked for the full cooperation of all members in their work together over the course of the two-day meeting.

4. The delegate representing Developed Country NGOs gave a statement on behalf of Vice-Chair Dr. Hélène Rossert-Blavier in which the Vice-Chair spoke of the richness of her experiences with the Global Fund and in visiting recipient countries. In particular, she thanked the women in these countries who gave unconditional support in caring for the sick. She talked of her concern about the shortfall in funding for Round 5 and called for a financially credible round through a review of the Comprehensive Funding Policy. She referred to the possibility of having a completely independent body such as the TRP for decision-making on Phase 2 funding and the importance of maximum objectivity in these decisions. The Vice-Chair wished the best to the future Chairs and Vice-Chairs of the Global Fund and hoped they would enjoy working with and for the Fund as much as she had.

5. The Executive Director of the Secretariat was given the floor and said that the Vice-Chair had written to the Secretariat in early April concerning the question of budget ceilings and public expenditure caps and their impact on increasing investments in AIDS, tuberculosis and malaria. He noted that it was a complex issue and that the Secretariat was addressing it in two ways. In countries where this topic had become a major obstacle for the continuation of support for the Fund or for financing the fight against the diseases, the Secretariat was bringing the issue forward forcefully in discussions with finance ministries and the World Bank using a country-level approach. The Secretariat was also meeting with the World Bank and the IMF in discussions on budget caps in the context of the three diseases. He noted that many Board members had important influence in these areas, and he asked them to use that influence.

## **Agenda Item 2: Appointment of Rapporteur, Approval of the Agenda, Approval of the Report of the Ninth Board Meeting**

1. The Chair thanked the Italian delegate for serving as Rapporteur for the Ninth Board meeting and designated Dr. Ren Minghui from the Western Pacific Region Constituency as Rapporteur for the Tenth Board meeting.

2. The agenda was then adopted with small changes in scheduling.
3. The Report of the Ninth Board meeting was approved, following which one delegate asked for a more systematic accounting of progress on the recommendations made by the Partnership Forum.
4. The Chair congratulated Peter Piot for having received confirmation of another four-year term at the head of UNAIDS, and he recognized Lennarth Hjelmaker of the Point Seven Constituency for his significant contributions to the Global Fund Board over the years.
5. Numerous delegates took the floor to thank the Chair for the work he had done on the Board over the previous two years, and a number of delegates also thanked his assistant, Margaret Grebe, in absentia for her support.

**Decision Points:**

1. Dr. Ren Minghui from the Western Pacific Region (China) Constituency is designated as Rapporteur for the Tenth Board Meeting.
2. The agenda for the Tenth Board Meeting is approved with modifications.
3. The report of the Ninth Board Meeting is approved.

There are no material budgetary implications for these decisions.

### **Agenda Item 3: Report of the Executive Director**

1. The Chair thanked the Executive Director for his leadership and gave him the floor to present his report.
2. The Executive Director welcomed all delegations to the meeting and thanked the Chair and Vice-Chair for their significant contributions in those roles.
3. He referred to his report, which was among the distributed Board documents<sup>1</sup> for the meeting, but gave updated information on additional topics than those in the report, including the introduction of the new Deputy Director, Helen Evans, from Australia, who would begin work full-time in June; the hard work of the Friends of the Fund organizations in Japan and the US and the launch of Amis du Fonds Mondial Europe in Paris with former Minister of Health Michèle Barzac as its Chair. He closed by wishing delegates a productive two days, trusting in their wisdom and guidance.
4. The Chair opened the floor for discussion.
5. Delegates thanked the Executive Director for his report, welcomed Helen Evans as Deputy Director and also took the opportunity to thank the Chair and Vice Chair for their work on the Board.
6. One delegate also asked to see more on the Global Fund in terms of its place in a health development context and another called for more information on the Global Fund and the future in the report.

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<sup>1</sup> All Tenth Board documents are available at <http://www.theglobalfund.org/en/about/board/tenth/>.

7. One delegate asked to see costs associated with coverage data to enable the Board to look at value for money.
8. A number of delegates commented on the improvement in the gender balance among Secretariat staff and senior management but observed that representation from some regions was still low. A couple of delegates asked for more specific breakdowns on staff representation by region and staff level. Some delegates expressed concern about the number of staff that were leaving the Fund – one in particular about staff from Africa – and asked that measures be taken to prevent this loss of experience and institutional memory. Some concern was also expressed about staff burn-out.
9. A few delegates commented on the funding gap for 2005 and the urgent need to address the shortfall. A number of delegates noted that while disbursement figures were reasonable, the numbers hid slow disbursement to sub-recipients in some countries, and there was a strong case to be made for multiple Principal Recipients to improve this.
10. Some delegates talked about the urgent need to address technical capacity shortfalls in recipient countries and particularly implementation bottlenecks due to procurement delays, and the need to work with manufacturers to guarantee demand and therefore supply.
11. The delegate representing UNAIDS spoke about the collective responsibility of partners to make Global Fund grant money work in recipient countries, and he talked about the work and timelines of the Global Task Team, whose primary aim was to maximize collective effectiveness. He also spoke about prevention of mother-to-child transmission in response to the concerns of one of the delegates, acknowledging that this seemingly simple intervention was turning out to be one of the more difficult to carry out.
12. The delegate representing the World Health Organization drew the attention of Board members to its new Malaria Medicines and Supply Service, which had been launched to improve the tracking of supply and demand for malaria-related commodities. The delegate also acknowledged the need for greater information on tuberculosis and malaria that matched the work on HIV/AIDS in terms of institutional architecture, harmonization and other issues.
13. Other issues touched upon included the Phase 2 process, the insufficient implementation of the prevention of mother-to-child transmission of HIV/AIDS, harmonization, the issue of assuring the quality of pharmaceuticals while retaining affordability, the need for increased technical assistance for CCMs, the development of the Early Warning System, committee restructuring, extending the principles of the “Three Ones” to tuberculosis and malaria, the Office of the Inspector-General, the role of Local Fund Agents, the additional safeguards policy and the greater involvement of faith-based organizations.
14. During the discussion following the Executive Director’s report, the Italian delegate indicated that the Italian government had offered to host the June replenishment meeting in Rome.
15. The Executive Director thanked all delegates for their remarks and questions and responded in brief. He noted that the Global Fund was still building and developing its tracking systems and that this was a current priority, including documenting costs per unit, which would help to measure the cost of results. He spoke about the web-based procurement tool, which would allow greater transparency on pricing and other information.
16. The Executive Director referred also to the Board’s important planned activities on the development of a medium- and longer-term strategy for the Global Fund and the supporting

work the Secretariat was doing at the Board's request, to be led by the Deputy Director with strong engagement from partners as well as the Board and its committees.

17. He noted that the target was for all Round 4 grants to be signed by the end of June and well before Round 5 was approved, with the possible need for a few extensions due to extenuating circumstances in the countries.

18. The Executive Director talked about staff turnover, which he said was not particularly high. He also said that the new Deputy Director would be looking at ways to improve staff development, advancement and morale, which would lead to stronger teams and departments. He noted that exit interviews were being conducted among those who left so as to understand their reasons. He also noted that 18 percent of the staff came from African countries and that only two people had left. He added that he was interested in creating diversity targets for Secretariat staff.

19. The Executive Director closed by speaking about the strong collaborations with the World Bank, UNAIDS and WHO, and the common focus on practical deliverables and progress at the recipient country level under the banner of accelerated implementation.

## **Agenda Item 4: Operations Update**

1. The Chair introduced Chief Operating Officer (COO) Brad Herbert to deliver an update on the work of the Operations team. The COO also thanked the outgoing Chair for his outstanding leadership and strong support to the Operations team during his tenure.

2. The Chair thanked the COO for his report and invited questions from the floor.

3. A question was asked on the decision to cancel approved grants before they were signed and why grants had been cancelled for Iran and North Korea. The COO explained that in cases where Operations could not conclude negotiations with a grant in time to meet deadlines stipulated by the Board, those negotiations ceased and the country lost the grant. In the case of Iran, the mandatory timeline for completing grant negotiations had been exceeded, but more importantly, one of the proposed Sub-recipients in Iran was unacceptable to the Secretariat, and attempts to replace this Sub-recipient were unsuccessful. The COO noted, however, that another grant had been successfully negotiated and signed with Iran subsequently. The major obstacle to negotiating the North Korea grant had been lack of access to the country, as the LFA had been denied multiple entry visas so monitoring of grant performance would not be possible.

4. Many delegates commented on Phase 2 evaluation processes, showing appreciation for the Secretariat's work in developing these processes while expressing concern on a number of points, including the short time frame on which Phase 1 performance was evaluated, poor communications between the Secretariat and some recipients, and a lack of clarity on the roles of the Board, Secretariat and TRP. The Chair indicated that many of the questions would be answered later in the meeting during the discussion on Phase 2 processes.

5. Delegates expressed enthusiasm for the early warning system but cautioned the Secretariat to ensure it was working closely with recipients and donor and technical partners in the system's development at both the global and the recipient country level. Delegates flagged some of the issues that would need to be included, such as fragility of states, sociopolitical environments and corruption. The COO confirmed that it would also flag procurement issues.

6. The Chair noted that the Board and Secretariat had grounds to be very optimistic about their progress, given that the Global Fund was only three years old, had raised US\$ 5.8

billion to date and had signed all 68 Round 1 grants. He congratulated the Board and Secretariat and expressed his wish to stay involved with the Global Fund after he had stepped down from the role of Chair.

## **Agenda Item 5: Board Elections**

1. The Chair called on the Rapporteur to announce the nominees for the positions of Chair and Vice Chair of the Global Fund's Board. The Rapporteur named Dr. Carol Jacobs from Latin America and the Caribbean as the sole nominee for Chair and Prof. Michel Kazatchkine from France as the sole nominee for Vice Chair. The Board Member from West and Central Africa, Dr Urbain Awono, made a statement in which he acknowledged his support, and that of his constituency, for the nominees and for a consensus process to elect them. There were no further nominations from the floor, and the motion to elect Dr. Jacobs as Chair and Prof. Kazatchkine as Vice Chair was unanimously approved.

2. Dr. Jacobs and Prof. Kazatchkine each thanked the Board and made statements acknowledging the dedicated work of their predecessors and pledging their commitment to the work of the Board, including proactive involvement in fundraising. The outgoing Chair congratulated them both and wished them well.

3. The delegate from Japan made an intervention to briefly explain a proposal concerning a potential future role for the outgoing Chair and asking Board members to review a paper being circulated on this subject, which would be discussed the following day.

### **Decision Point 1:**

Dr. Carol Jacobs of the Latin America and Caribbean constituency is unanimously elected as Chair of the Board of The Global Fund to Fight AIDS, Tuberculosis & Malaria for the period of 2005-2007.

There are no material budgetary implications for this decision.

### **Decision Point 2:**

Prof. Michel Kazatchkine of the France (Luxemburg, Spain) constituency is unanimously elected as the Vice Chair of the Board of The Global Fund to Fight AIDS, Tuberculosis & Malaria for the period of 2005-2007.

A related budgetary implication for this decision is provided under Agenda item 16.

## **Agenda Item 6: Ethics Committee**

1. The Chair then called upon Brian Brink, on behalf of the Chair of the Ethics Committee, to report to the Board.

2. Mr Brink noted that while the Ethics Committee normally reported only at the second meeting of each year, the conflict of interest policy with respect to WHO required attention at this meeting for information only. He explained that while WHO rules were similar to the Global Fund's on conflict of interest policy, there were also important differences and that WHO administrators had indicated it could not recognize the jurisdiction of the Global Fund Ethics Committee to rule on conflict of interest matters related to Secretariat staff without amending its own staff rules. The Ethics Committee had requested that WHO recognize the Global Fund's own rules and allow the Ethics Committee to carry out its functions. The

Committee Chair also noted that once the Global Fund was no longer under the Administrative Services Agreement with WHO, this would no longer be an issue.

3. One delegate observed that as two Board members were also member states represented on the WHO Executive Committee, they could potentially appeal for a change to WHO rules.

4. Another delegate suggested that staff members could be asked to disclose conflicts of interest voluntarily in the interim. The Executive Director noted that senior management of the Secretariat fully supported the Ethics Committee initiative and had already requested that staff submit this information on a volunteer basis.

## **Agenda Item 7: Report on the Board Consultation**

1. The Chair called on the Executive Director to comment on the Report on the Board Consultation.

2. The Executive Director talked about the one-day retreat and consultation of the Board on futures scenarios for the Global Fund, held in Arusha, Tanzania after the Ninth Board meeting in November 2004. He indicated that the Global Fund's strategy development would be the work of the new Policy and Strategy Committee and that an update was expected for the Board in September and a final report in December.

## **Agenda Item 8: Committee Restructuring**

1. The Chair reminded the Board that discussions on committee structure had occurred at the previous Board meeting and that the Board had called for further study of the issue. He called on Dr. Brian Brink of the Private Sector delegation to give a presentation.

2. The delegate representing the Private Sector thanked Booz Allen for its pro bono study and recalled that the purpose of the work was to identify a new committee structure following a review of the current structure, roles and processes to improve effectiveness, reduce overlapping mandates and respond to the changing needs of a maturing organization.

3. He noted that change needed to be behavioral as well as structural, and that the study outlined both. Issues ranged from committees engaging in operational issues, as opposed to policy issues, to inconsistent representation by delegations on committees. He added that strong, experienced chairs were necessary and that the Board needed committees that took its directions and reported back.

4. The delegate then set out options for the revised membership model in terms of numbers and representation, terms of reference, and committee rules and procedures, and he presented the potential benefits and risks of each approach.

5. Two options were presented for the number and size of committees: a blended approach with full Board representation on a Policy and Strategy Committee (PSC) and balanced representation from the two Board blocs on the Finance and Audit, and Portfolio Committees; and a balanced approach with smaller committees, each similarly sized. The delegate indicated that under the proposed model, only the named member or alternate of represented delegations could attend committee meetings in order to maintain consistent committee membership.

6. Two options were presented for the roles of the committees: one where all policy went to the PSC; and a second where the PSC provided guidance on policy that was not explicitly the domain of the other committees.

7. He concluded by saying that formal review of committee structures should be ongoing, that they should operate with maximum transparency and that all materials used by committees for consideration should be available to all Board members through a secure website.

8. Delegates thanked the Private Sector delegate and Booz Allen for their work on the committee structure. Some delegates expressed concern that the blended approach to committee structure would result in a “mini-Board” that would duplicate other committees’ work and make it difficult to discuss issues and come to consensus.

9. Other delegates felt that the blended approach would enable effective consultation and consensus-building on important issues before Board meetings and that the issues to be dealt with by the PSC were too important not to include representation from all Board delegations.

10. The decision points on the committee structure, and rules and procedures were tabled until the next day, following working group discussions.

11. The next day, the Chair called on Mr. Rajat Gupta from the Private Sector delegation to report back as the interim chair of the ad hoc working group on committee restructuring.

12. Private Sector delegate said that the ad hoc team had met twice since the previous morning, and after vigorous debate came to agreement on three areas: committee procedure, terms of reference and minor modifications to Board Operating Procedures to make consistent with the changes.

13. He explained that once those had been agreed upon by the Board, there would be greater understanding brought to the selection of a structural option. The working group had agreed that both options would be workable. He also said that forms would be circulated for each delegation’s recommendations on committee chairs, vice-chairs and membership.

14. Discussion was short, and key points included whether to move the replenishment process to the Policy and Strategy Committee from the Finance and Audit Committee, the issue of ensuring proper controls were in place to reduce risks to committees to an acceptable level and reporting requirements from the Secretariat to the various committees, particularly in areas related to finance.

### **Decision Point 1**

The Board decides to reorganize the Board Committees by canceling the GPC, MEFA, PFSC, PMPC, RMCC and constituting the following three committees:

1. The Policy and Strategy Committee (PSC)
2. The Portfolio Committee (PC)
3. The Finance and Audit Committee (FAC)

There are no material budgetary implications for this decision.

### **Decision Point 2:**

The Board adopts Option 1 with regard to Committee structure and Membership.

There are no material budgetary implications for this decision.

### **Decision Point 3:**

The Board adopts the Committee Rules and Procedures in GF/B10/11, Annex 3, as amended by the Board at its 10<sup>th</sup> meeting.

The Board adopts the Terms of Reference in GF/B10/11, Annex 2, as amended by the Board at its 10<sup>th</sup> meeting.

There are no material budgetary implications for this decision.

### **Decision Point 4:**

The Board decides to amend Section 23 and Section 25 of the Board Operating Procedures as follows:

#### **23. ~~Size and~~ Membership of Committees**

~~Committees will have a maximum of seventeen members.~~ The Board Chair and Vice Chair, in consultation with the committee chair, ~~and the Executive Director,~~ will propose the constituencies to be included on each committee, based on applications made by constituencies for committee seats, for full Board approval. There will be no more than one member per constituency on any single committee. Each constituency may participate in a maximum of ~~three~~ two committees. Membership on the Ethics Committee shall not count toward this ~~three~~ two-committee limit, nor shall membership on other ad-hoc committees where the Board specifically provides that membership shall not apply toward this limit. Where demand for committee seats exceeds the maximum, priority will be given to ensuring balance.

Constituencies will designate an individual to represent them on a given committee. While it is preferable that constituencies choose Board Members or Alternate Members to serve on committees, they are free to choose any individual to represent them. ~~While substitutes should be discouraged, committee members will be able to send substitutes as an exception without the approval of the committee chair. Only committee members (or their substitute) will attend committee meetings, unless other individuals are invited to do so by the committee chair.~~ Because committee chairs must chair the committee meeting without prejudice, they may bring an additional representative of the constituency to participate as a member of the committee. Where considered necessary by the committee chair, the vice chair of a particular committee may be permitted to bring an additional representative of the constituency to participate as a member of the committee.

#### **25. Ethics Committee**

The Ethics Committee shall be a permanent committee of the Board. The Ethics Committee shall consist of four members. ~~The Board Vice Chair shall be a member of, and shall Chair, the Ethics Committee.~~

The Ethics Committee shall operate under these Board Operating Procedures, the committee guidelines of the Board, and the Ethics Committee procedures and rules, as may be adopted and amended from time to time by the Board. In circumstances where these Ethics Committee procedures and rules conflict with these Board Operating Procedures or the committee guidelines of the Board, the Ethics Committee procedures shall govern.

There are no material budgetary implications for this decision

## **Agenda Item 9: CCMs**

### **MOU with Stop TB**

### **Commencement of the Terms of the Chair and Vice-Chair**

1. The Chair called Mr. Pasqualino Procacci, the Chair of the Governance and Partnership Committee (GPC) to the floor to talk about Country Coordinating Mechanisms (CCMs).
2. The GPC Chair reminded the Board that at the Eighth Board meeting, there had been a recommendation that financial support be provided to CCMs, but it was asked that the GPC give further consideration to the issue. The GPC had conducted consultations with various CCMs since then and seen that not all CCMs require financial support but had noted that financial viability was linked to strong CCM performance. He presented a set of three options for increasing support to CCMs, indicating that these options had been created based on the principles that they be country-led, demand-driven and sustainable.
3. A few delegates talked about the important role of CCMs in overseeing program implementation and the need to broaden representation on CCMs, particularly by mobilizing civil society, while working within the principles of harmonization outlined in the Three Ones. They stated that this work required the support of clear guidelines as well as technical and financial support to be successful.
4. A couple of delegates stated that CCMs were not meant to be organizations in their own right and expressed concern about contributing to bureaucracy by funding them. A number of delegates asked that if such funding were to occur, it should be explicitly limited in time and amount.
5. A few delegates stressed the need for very clear guidelines for CCMs, saying these would also help those who wish to provide support to CCMs. Another delegate asked for a communications strategy from the Secretariat showing how guidelines would be communicated and implemented.
6. Some delegates emphasized that while support to CCMs was critical for building capacity, financial support would not necessarily address some of the areas where CCMs were not performing well, such as governance, and that technical support was required to solve some of these problems.
7. A couple of delegates stated that more support for CCMs should come from the Global Fund's partners. Another argued that the Secretariat staff, including Fund Portfolio Managers, should be responsible for raising awareness of CCMs in recipient countries to increase input to the proposal process and for building some CCM capacity, and that this responsibility should not only rest with the Global Fund's partners. It was suggested that the Secretariat should produce documentation related to CCM best practice and other important issues.
8. The Executive Director expressed concern that even the conditional availability of funding for CCMs might be seen as an entitlement and that it could be difficult for Fund Portfolio Managers to limit the amount of funding provided based on their assessment of need and costs.

## **MOU with Stop TB**

9. The GPC Chair then introduced a Memorandum of Understanding (MOU) between the Global Fund and the Stop TB Partnership.

10. Delegates welcomed the MOU with Stop TB and commented on the important roles of the Green Light Committee in dealing with multidrug-resistant tuberculosis and the Global Drug Facility in enhancing recipient country capacity for drug management systems. One delegate expressed disappointment that the language of the MOU was not stronger.

11. It was noted that there was no civil society presence on the task force, and the Communities delegate offered to provide its delegation's expertise to the task force.

12. The delegate from Canada, also the Chair of the Stop TB Partnership, noted that tuberculosis had only received 13 percent of Global Fund grant funding to date and registered his concern that tuberculosis was underfunded.

## **Commencement of the Terms of the Chair and Vice-Chair**

13. The GPC Chair then introduced an amendment to the policy on the terms of office regarding the starting point of newly elected officials to the Global Fund's Board.

### **Decision Points CCMs**

#### **Decision Point 1**

The Board approves the changes to the CCM Guidelines regarding CCM oversight of implementation, as outlined in GF/B10/7, Annex 3.

There are no material budgetary implications for this decision.

#### **Decision Point 2**

The Board requests the Secretariat to work closely with partners (multi/bilateral partners, private sector and others) to facilitate and coordinate the provision of resources to support CCM secretariat functioning.

In countries where partner support for CCMs is not available, the Board approves the use of grant funds to provide CCM support, provided that funding is limited to two-years and meets the terms and conditions set out in Part 2 (para.16) of GF/B10/7. The Board requests the Secretariat to widely communicate this decision point to all stakeholders.

There are no material budgetary implications for this decision.

#### **Decision Point 3**

The Board approves the revised text of paragraph 19 as outlined in GF/B10/7, Annex 3 (see below).

## Revised text of paragraph 19

Para 19: The Secretariat will take specific steps to collect information on the functioning of CCMs and to disseminate this information. Individual CCM members are free to communicate their views on design or implementation issues with other CCM colleagues or with the Secretariat, on a confidential basis if necessary, to register problems and complaints, and identify weaknesses in CCM functioning as described in the principles of the Fund. **At the same time, the Fund Portfolio Managers will ensure that this process contributes to promoting true partnership and trust among the CCM members and between the Fund Portfolio Managers and the CCMs.** While respecting confidentiality where confidentiality has been requested, portfolio managers would have the right to inform themselves on the issue through queries to other CCM members, and if necessary tasking the LFA to determine the accuracy of the complaint. **The Board requests CCMs to work closely with national authorities within the framework of the Three Ones and harmonization efforts.**

There are no material budgetary implications for this decision.

### **Decision Point: MOU with Stop TB**

The Board approves the Memorandum of Understanding with the Global Partnership to Stop TB, attached as Annex 4 to the Report of the Governance and Partnership Committee (GF/B10/7), and requests the Secretariat to provide periodic reports on cooperation between the Fund and the Global Partnership to Stop TB under the agreement.

There are no material budgetary implications for this decision.

### **Decision Point: Terms of Office Chair and Vice Chair**

The Board amends Section 18 the Board Operating Procedures as follows:

#### **18. Timing of Elections; Commencement of Terms**

Elections of the Chair and Vice Chair shall take place at the first Board meeting of the year. In the case of a vacancy, elections to fill the vacant slot shall take place at the first Board meeting at which a vacancy exists.

The terms of office for Chair and Vice Chair shall commence upon the adjournment of the Board meeting at which the election is held except in the case of elections to fill a vacancy, where terms shall commence immediately upon election.

There are no material budgetary implications for this decision.

## Agenda Item 10: Replenishment

1. The Chair introduced Mr. Sven Sandström, the Vice-Chair of the Global Fund's replenishment, to provide an update.
2. Mr. Sandström said that the first meeting of the replenishment in Stockholm had gone well and that donors had come to agreement on the procedures they would like to follow in the replenishment process and had agreed to consider replenishment targets of US\$ 3.5 billion for 2006 and US\$ 3.6 for 2007. He drew attention to the Chair's Summary document,

which gave an overview of the key points of the meeting and included an annex outlining the various reports expected by donors at the next meeting in June in Rome.

3. Mr. Sandström highlighted two points that he felt would drive the process and success in the final meeting of the replenishment in London in September. First, scenarios for meeting targets, also called burden-sharing scenarios, were being prepared by the Secretariat for discussion before and during the Rome meeting.

4. The second major issue for focus was the 2005 financing gap, and he indicated that the Secretariat was in touch with individual donors to address that issue, which would also need to be discussed in Rome. He noted that these issues should also be taken up in other meetings to take place in the coming months, including the G8 meeting in July.

5. The Director of External Relations at the Global Fund, Christoph Benn, then took the floor to provide greater detail on the reports the Secretariat would prepare for the Rome replenishment meeting as outlined in the annex to the Chair's Summary from the Stockholm meeting. He also talked about the critical importance of fully matching the US pledge so as to maximize the US contribution for 2005 and about the work underway with the Global Task Team convened by UNAIDS to look at issues of institutional architecture and financing and with WHO on similar processes for tuberculosis and malaria.

6. On behalf of the Board, the Chair thanked Mr. Sandström for the presentation and for his strong leadership in the replenishment process, he thanked the Chair and Vice-Chair of the Resource Mobilization and Communications Committee for their support of the process, and he thanks the Director of External Relations for his dedication and hard work behind the scenes.

7. Discussion following the presentation included reiterated concern regarding the shortfall for 2005, and the Director of External Relations confirmed that no further pledges had been received since the Stockholm meeting. The Chair observed that even after those pledges, the Global Fund shortfall was still around US\$ 700 million. The Chief Financial Officer confirmed that on the basis of all pledges made to date, if all were fully contributed by the deadline of July 31, this would enable the full contribution of the US pledge for 2005.

8. A motion was put on the table by the Developing Country NGO delegation to examine all options to support the full funding of Round 5, including the re-examination of the Comprehensive Funding Policy. Delegates supported the spirit of the motion, but many were concerned about the call to change the Comprehensive Funding Policy. One delegate supported the motion and commented on the credibility problem the Global Fund would have if it could not fully fund all technically viable proposals in Round 5 while it had billions in the bank. Some delegations were concerned that the timing of the motion was poor due to the replenishment process, and many opposed the idea of committing funds before they were in the bank. One delegate pointed out that it was already the responsibility of the Board and the appropriate committees to address funding gaps and that an additional motion was not necessary.

9. The delegation that brought the motion to the table explained that it was important to bring some informed analysis to bear on the financial policies of the Global Fund, and that it was an issue that had been under discussion for a year. Given the UN resolution that brought about the establishment of the Global Fund and the review of the Millennium Development Goals that would take place in September, there was a need for careful preparation for the debate that would take place at that time, just weeks before the approval of Round 5.

10. A number of delegates suggested looking at all other options for funding in terms of redoubling efforts but that it would be impossible to act quickly to change the terms of the

Comprehensive Funding Policy and that it would send the wrong message about the Global Fund.

11. The delegate representing the authors of the motion acknowledged a willingness to look at other options or language but maintained that since no further significant money had been pledged, there would not be a fully funded Round 5 unless the Board treated it like the crisis it was and kept its promises to the people who were relying on Global Fund grants.

12. One delegate observed that the question of refinancing was the most strategic topic that the Board was faced with in 2005, and it was important to approach the issue with the long term in mind. The delegate noted that the Board had worked very hard to bring the Global Fund to the where it now found itself, and it was now at a historic point where it was pursuing a replenishment process to move into the future strategically and with resources. It was important not to lose sight of the ultimate goal, which was sustainable financing for the organization, while working to ensure funding for programs. The delegate emphasized the importance of a united front in taking advantage of the political events scheduled for 2005, including the G8 and the conference on financing for development in July and the UN meeting in September.

13. The item was tabled pending new language reflecting various concerns.

14. The Chair later called the delegate representing Developed Country NGOs to present their motion.

15. The delegate explained that the new language focused on immediate action on the 2005 funding shortfall by asking donors to raise the issue at all key events in 2005, including the G8 meeting in Gleneagles, and any other actions to support increased funding in the short term. There was no discussion, and it was adopted.

#### **Decision Point:**

The Board notes with concern the current shortfall regarding funds availability for Round 5. The Board calls upon participants of the Replenishment Conference, and all other potential donors, to take urgent action to ensure that Round 5 is fully funded.

## **Agenda Item 11: 2004 Financial Statements and Audit**

1. The Committee Chair then called upon the Chief Financial Officer (CFO) to report on operating expenses in 2004.
2. The CFO presented actual versus budget and variance for 2004. He noted that there had been some Secretariat savings (3 percent) and substantial LFA fee savings (60 percent). He also summarized the MEFA observations on the numbers, including that trends were in the right direction, absolute operating expense levels were very low and that suitable benchmarks were difficult to identify.
3. The CFO reviewed differences between these figures and the audited financial statements, which were due to particular changes in the rules regarding the year in which contribution income is recorded and a resulting adjustment. He also discussed the need to recognize in-kind contributions because they had become larger, reaching US\$ 7 million in 2004.
4. The MEFA Committee Chair stated that the Report of the Independent Auditors, produced by Ernst and Young, had been presented to MEFA in draft form as a true and fair

view of the Global Fund's finances. She indicated that the final report would be released when the 2004 financial statements were approved by the Board.

5. One delegate gave support to the expansion of the Global Fund's audit to include in-country audits, as expressed in the MEFA report, noting that this would be useful in capturing further information on the funds already disbursed. The delegate also suggested expanding the audit to examine internal policies and procedures on expenditures, observing that other international organizations were being tested for financial malpractice, and it would be useful to get a clean bill of health in this area. The delegate also wanted to register recognition of the tremendous potential value of public-private partnerships, pro bono services and in-kind donations.

6. A delegate asked when the external audit on Principal Recipients and LFAs would begin. The CFO indicated that auditors would review a sample of the financial statements from Principal Recipients beginning in May but that currently, auditors did not review the work of LFAs.

## **Agenda Item 12: Trustee Report**

1. The Chair called on Geoffrey Lamb, the representative of the Global Fund's Trustee, the World Bank for his report.

2. Mr. Lamb indicated that he would not go through his whole report but would highlight a few points. He noted that the Trustee had been asked to produce a paper reviewing the World Bank's investment strategy of Global Fund money, including one option on a change that was made in January concerning pooled investment funds. This paper had been reviewed and endorsed by the MEFA Committee and also by the PMPC.

3. Mr. Lamb then summarized the discussion of the World Bank's Board after a presentation on its role as Trustee for the Global Fund. Concern had been expressed related to the question of additionality as much Global Fund financing came from the budgets of eight countries. It had been noted that there were large requirements coming forward that would need to be managed and would place much stress on the replenishment process in the request for increased funding beyond money already budgeted. Some discussion had also taken place about harmonization and the extension of the principles of the Three Ones to tuberculosis and malaria.

4. Concern had also been expressed by the executive directors and shareholders of the World Bank about possible changes to the Global Fund's Comprehensive Funding Policy. If the Global Fund were to commit funds that were not securely pledged, this would raise significant issues for the Global Fund and for the World Bank as Trustee.

5. Regarding the request that the World Bank's work be done pro bono, Mr. Lamb explained the World Bank worked on a full cost recovery basis in its role as Trustee, which meant no pro bono work. He also reported that his Board had observed a disconnect between the perspectives expressed at their own meetings and the meetings of the Global Fund's Board, despite the fact that the same governments were represented on both. The Board of the World Bank had pledged to look at this issue.

6. Mr. Lamb indicated that regarding the role of grants in a macroeconomic context, grants were largely fund imports with no inflationary effects, and these funds were very welcome to the World Bank's member countries. Where grants were very large in relation to a country's budget and made a significant change in expenditure, grants made a difference to fiscal

management and the World Bank worked closely with countries to avoid any inflationary impact.

7. The Chair requested that the World Bank look at whether or not it could cut its Trustee fees in half and donate the other half to the Global Fund's replenishment, and he suggested that the Global Fund request a meeting with the new president of the World Bank.

8. Mr. Lamb responded that this issue had been discussed, and that there was a re-statement of the position that donors give money to the World Bank to discharge what they regard as the World Bank's business. He also made the point that the World Bank's earnings and contributions from donors already went to developing countries, some of it to health initiatives.

**Agenda Item 13: Investment Policy and Fiscal  
Management Study  
2005 Budget Recap and Outlook  
Currency Risk Management  
Office Space  
Timelines for Grant Signing  
TERG Report**

1. The Secretariat's Chief Financial Officer, Mr. Barry Greene, reviewed the report on the Global Fund's liquidity, going over its highlights and conclusions. He noted that the report had actually been adopted at the last Board meeting and that upon further discussion of risk tolerance and other issues, the MEFA Committee had concurred that this was the correct course of action.

2. The MEFA Committee Chair, Dr. Sigrun Møgedal, indicated that no Board action was required on that point and moved on to the issue of the study on the Global Fund's Fiscal Management Study, which had been conducted by PriceWaterhouseCoopers. She highlighted the recommendations, including that the cash balance be made to work harder and that the Comprehensive Funding Policy be re-examined as it was quite conservative. The final recommendation concerned whether or not to split investment between the World Bank and a Swiss investment bank. She confirmed that more discussion and examination of these issues needed to take place but that the report provided some guidance as to how the issues could be taken forward.

3. The Committee Chair called upon Eric Gronningsater from PriceWaterhouseCoopers to comment on the study. Mr. Gronningsater noted that among other things, PWC recommended that the Board consider engaging an additional investment manager. He said that it would be useful to get more information on what another investment manager would cost and to examine the options.

**2005 Budget Recap and Outlook**

4. The CFO reported that the MEFA Committee had revisited the approved budget for 2005 due to two factors potentially increasing costs: the reduction in value of the US dollar versus the Swiss franc and the move to different office accommodation and resulting relocation costs, which had not been foreseen. He indicated that the Secretariat would strive to keep

within its existing budget in managing these costs and would keep the appropriate committee apprised of its progress.

5. The Committee Chair confirmed that this would be reported back to the Board in September.

### **Currency Risk Management**

6. On currency risk management, the Committee Chair explained that MEFA had been asked to do further analysis and quantification of risks associated with currency fluctuations, and that the resulting report had had input from the Trustee. The Secretariat's Chief Financial Officer went over the highlights of the report on risk exposure. The Committee Chair stated that MEFA recommended taking action to minimize risk by matching assets with liabilities in the same currency where this was possible (US\$ and Euro).

### **Office Space**

7. The MEFA Committee Chair gave a status update on the exploration of purchasing a building or land for future Secretariat office space. She indicated that some initial work had taken place but that a smaller group would explore this further by looking at variety of options such as renting with an option to buy, conducting a comparison of the alternatives and considering the risks and public relations aspect of such a decision.

### **Timeline for Grant Signings**

8. The Secretariat's Chief Administrative Officer, John Burke, then provided a brief update on the time required for signing grants. He explained that a key reason that the Secretariat had not reached its target of a 6-month turn-around from grant approval to grant signing was due largely to the many new staff and remaining vacancies among Fund Portfolio Managers who were just getting up to speed on their jobs. He stated that this would be achievable in future and that the Secretariat would report back to the Board on its progress.

### **TERG Report**

9. Professor Rolf Korte, the Chair of the Technical Evaluation Reference Group (TERG) gave an update on its activities. He reviewed the outcomes of the group's second meeting in March, including its review of performance-based funding and Phase 2 processes, which the TERG found to be transparent, well-documented and credible. He highlighted areas for improvement and emphasized the importance of ensuring that funding decisions were based on performance.

10. Prof. Korte also reviewed the TERG's plans for the five-year evaluation of the Global Fund's goals and principles, which had been requested by the Board. He recommended making a shift from a one-off evaluation to a phased approach. He noted that numerous concurrent internal and external evaluations were taking place and that the Fund should make use of those studies. He suggested doing an evaluation of the first three levels of the agreed evaluation framework for the Global Fund, namely "operational performance", "grant performance" and "systems effects" with a focus on policies, institutional strategies, and partnerships in 2006. An evaluation of outcomes and impact shall be undertaken in 2008, when such data can be expected.

### **Decision Point: Currency Risk**

The Global Fund shall take action to minimize its exposure to currency risk through the following transitional policies that set a framework for currency risk management:

- a) hedge exposure to currency risk by matching the values<sup>2</sup> of USD assets with USD grant liabilities and Euro assets with Euro grant liabilities to the extent possible using available liquidity, so as to minimize any mismatch within each currency (excess liquidity after matching shall be held in USD and Euro);
- b) encourage donors to denominate promissory notes only in the grant currencies (USD and Euro);
- c) if a material currency mismatch remains after these measures, maintain a reserve against commitment authority as a cushion to absorb any potential losses and thus minimize commitments being made in excess of assets available; and
- d) encourage prospective grant recipients to provide information as to the currency in which they will submit future grant applications.

The operational implications and practices shall continue to be reviewed by the Secretariat under the guidance of the FAC to present a full recommendation to set the policy and parameters of the currency risk exposure at the Eleventh Board meeting unless insufficient experience warrants extension until the Twelfth Board meeting.

There are no material budgetary implications for this decision.

### **Decision Point: TERG Report**

The Board approves a revision to the Technical Evaluation Reference Group (TERG) Terms of Reference (ToRs) to respond to the proposed changes in the Board Committee structure. The proposed revised ToRs are attached as Annex 8 to this report. The Board also requests that the TERG Chair present brief independent assessments on performance and status of the Global Fund monitoring and evaluation system to each meeting of the Policy and Strategy Committee and the Board.

There are no material budgetary implications for this decision.

## **Agenda Item 14: Phase 2**

1. The Chair called Dr. Sigrun Mogedal, Chair of the Monitoring, Evaluation, Finance and Audit (MEFA) Committee, to report to the Board on the deliberations of the working group that had met the evening before.
2. The Chair explained the issue regarding the proposed procedure for handling Phase 2 proposals that had been twice blocked by the Board. The Committee Chair explained that initially, the Board had expected that there would be more time to develop this procedure, but the issue had been raised earlier than anticipated. As a result, the proposal being presented by MEFA was for dealing with the issue at that meeting only, not a procedure for the future.
3. The Committee Chair outlined the key points of the procedure, including that the Board may decide to refer a grant proposal back to the CCM for processing as a revised request for continued funding, and that in this case, the CCM would be provided with a description of the concerns of the Secretariat and individual Board members, and the Grant Scorecard. According to this procedure, the revised request would be given to the TRP for review and

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<sup>2</sup> The values of assets and liabilities will generally be computed as the present values of the cash flows associated with those assets and liabilities.

recommendation to the Board, and a No Go from the TRP would result in termination of the grant.

4. The MEFA Committee Chair was given the floor to review the proposed decision points concerning Phase 2 procedures.

5. One key area of subsequent discussion was the question of the terms for extending Phase 1 funding when a decision on Phase 2 funding was protracted. MEFA recommending enabling the Secretariat to commit up to half a year of the next budget to cover delays due to decision-making processes.

6. Some delegates felt that only the Board had the authority to give funding, and this authorization should not be given to the Secretariat. Other delegates pointed out that decision-making delays were normal in aid agencies, that it was common to authorize bridge funding on the spot and that the main purpose was to provide a no-cost extension of funding for delayed grants, not to grant Phase 2 funding. One delegate observed that in all cases to date, unspent Phase 1 money had covered the gap.

7. Discussion then turned to the proposal on the table of a task force to review Phase 2 processes. This was brought forward by a delegate who felt there was not enough transparency in the internal processes of the Secretariat related to Phase 2 and suggested the new Policy and Strategy Committee have a special task force on Phase 2 to review procedures, comprising Board, Secretariat, TRP and TERG members, to report back to the next Board meeting.

8. The proposal was supported by a number of delegates, though some felt the task force should report directly to the Board, rather than to a committee, while others felt the purpose of the new committee structure was to streamline processes and that it was therefore appropriate for the task force to report to a committee.

9. The Executive Director reminded the Board that a task force reporting back to a committee would be costly and time-consuming for the members of the task force and the committee as well as for the Secretariat, notwithstanding the critical nature of Phase 2 process for the credibility of the Global Fund.

10. After the motion had been adopted, a delegate wanted it stated for the record that the Chair and Vice Chair would convene the task force. This was agreed.

11. The Chair moved discussion to the Phase 2 decisions on twice-blocked No Go recommendations on grants for Honduras and Senegal.

12. One delegate stressed the importance of the principle of performance-based funding and one emphasized the need to support the judgment and experience of the Secretariat in making difficult decisions with respect to Phase 2. This delegate noted that when the Board did not support a Secretariat decision, it must be taken very seriously because it could undermine the Secretariat's authority with CCMs and LFAs in future.

13. It was noted that the Senegal and Honduras grants were among the earliest grants, established under systems that were just being put in place, and that the Secretariat had not necessarily provided all the support it could have. It was also noted that the CCMs had failed in their responsibilities to oversee implementation. The proposal to allow the two grants to be processed as revised requests for continued funding on an exceptional basis would ensure that people being served by the grant funding would not lose that funding due to the inevitable mistakes made during the start-up of an organization.

14. The Executive Director of the Secretariat clarified that if the TRP's recommendation to the Board was No Go and the Board agreed, then the grants would be terminated, though funding would be available to continue lifelong treatment for two years. If the grants were approved, they would be treated like newly approved grants, requiring a new grant agreement.

15. One delegate asked the Secretariat to ensure that deadlines provided to the countries for submitting a revised proposal would allow the TRP to examine the revised project during its session scheduled for Round 5 so as to avoid creating a special TRP meeting.

16. The representative of UNAIDS, Executive Director Peter Piot, called for improved data collection and validation mainly related to programmatic issues, and to ensure the CCM is central to the process of decision-making on Phase 2 funding. He also noted that the Global Fund's Early Warning System should not be perceived as top-down but should be owned by recipient countries. Another delegate asked the Secretariat to provide an update on the Early Warning System at the next Board meeting. On behalf of UNAIDS, a non-voting member of the Board, the delegate representing Developed Country NGOs tabled a motion requesting an update on the implementation of the Early Warning System at the next Board meeting.

17. The Board Chair then acknowledged the tremendous work of Professor Sigrun Mogedal for the MEFA Committee and the Board during her tenure as Committee Chair, and also thanked Mr. Pasqualino Procacci as Chair of the GPC and Mr. Stuart Flavell as Chair of the RMCC. He noted that all three had made a significant contribution to the work of the Global Fund.

### **Decision Points – Phase 2 Decision Process**

#### **Decision Point 1**

The Board acknowledges that, in line with the existing Phase 2 policy, the Secretariat may need to take more than 20 months to provide a Phase 2 recommendation to the Board. It therefore decides that in exceptional circumstances the Secretariat may extend, at no cost, the term of Phase 1 grant agreements by up to six months and decides that the Phase 2 Decision-Making Policies and Procedures document, as set out in Annex 6 to Board Document G/B10/8, shall be amended accordingly. The Secretariat shall inform the Board immediately upon taking action under this decision.

There are no material budgetary implications for this decision.

#### **Decision Point 2:**

The Board directs the Chair and Vice Chair of the Board to establish an ad-hoc task force to review the Phase 2 process and report back to the 11<sup>th</sup> Board Meeting. The task force should be comprised of members of the Board, the Technical Review Panel, the Chair of the Technical Evaluation Reference Group and the Secretariat.

There are no material budgetary implications for this decision.

### **Decision Points – Phase 2 Renewals**

#### **Decision Point 1:**

The Board decides to approve the following procedure for use, should it so decide, in processing proposals pending before it at its 10<sup>th</sup> meeting:

## **Interim procedure for processing proposals pending before the Board at its 10<sup>th</sup> meeting**

1. The Board may decide to refer a proposal back to the CCM for further processing as a Revised Request for Continued Funding.
2. If the Board refers a proposal for further processing as a Revised Request for Continued Funding, the CCM will be provided with a summary of concerns raised and will be given one opportunity to address these and any other concerns raised during the Phase 2 process.
3. The CCM must deliver its Revised Request for Continued Funding to the Secretariat within two months of written notification of the opportunity to resubmit. The Secretariat shall review the Revised Request for Continued Funding solely for financial reasonableness, and shall pass both the submission and its financial comments to the TRP for review within one month of receipt from the CCM. The TRP shall provide a recommendation to the Board within one month of receipt from the Secretariat.
4. If the TRP recommends to discontinue funding, the recommendation shall be in the form of notification to the Board, no further funding shall be provided for the proposal and funding of the existing program shall terminate at the completion of its term.
5. If the TRP recommends to continue funding, the Board shall vote by e-mail on the TRP recommendation under its no-objection procedure. Votes must be received by the Secretariat no later than the 10th day following notification to the Board (inclusive of the day of notification).
6. If the TRP recommendation to continue funding is not approved by the Board, no further funding shall be provided for the proposal and funding of the existing program shall terminate at the completion of its term.

There are no material budgetary implications for this decision.

### **Decision Points – Honduras and Senegal**

#### **Decision Point 1:**

The Board decides to refer the Honduras Round 1 HIV proposal back to the CCM for further processing as a Revised Request for Continued Funding.

#### **Decision Point 2:**

The Board decides to refer the Senegal Round 1 HIV proposal back to the CCM for further processing as a Revised Request for Continued Funding.

#### **Decision Point – Early Warning and Response System:**

The Board decides that the Secretariat report to the next meeting of the appropriate committee regarding the implementation of the Early Warning and Response system.

There are no material budgetary implications for this decision.

## Agenda Item 15: Annual Report<sup>3</sup>

1. The Director of External Relations presented the annual report, briefly reviewing its purpose, audience and distribution, and reviewed key contents.
2. One delegate suggested that since the Global Fund had set itself apart in its first three years through its unprecedented transparency, it should consider publishing the compensation packages for senior staff in future annual reports.

### **Decision Point:**

The Board approves the draft Annual Report for 2004.

There are no material budgetary implications for this decision.

## Agenda Item 16: Chair's Budget

1. The Chair of the MEFA Committee announced that she had just received the budget to support the work of the Chair, reviewed it with another member of MEFA and concluded it should be approved by the Board. She reminded Board members that they had agreed there should be adequate support for this Office.
2. She then distributed the document to Board members for review and responded to questions of clarity concerning the basis for budget items and that funds would come out of the existing Secretariat budget for 2005.
3. Several delegates reiterated their support for a budget for the Office of the Chair, and one noted that an earlier Board decision had said there was not material budget implication, though clearly there was (see reference under Agenda Item 5). One suggested that there were no material budgetary implications because it was coming out of already-approved funds but wondered whether the addition of this budget item would jeopardize the Secretariat's efficiency target.
4. The Secretariat's Chief Financial Officer responded by saying that while the need for this budget line item had been flagged at the Ninth Board Meeting, the Secretariat had not understood that it would come out of the approved Secretariat budget for 2005. The Executive Director agreed and said that the Secretariat did not support this money coming out of its existing budget.
5. The Chair noted the importance of this support, which he said not only bettered the work of the Chair and Vice-Chair but also provided a liaison function to and from the Secretariat, which made it very important for the Board.

### **Decision Point:**

The Board approves the budget for the Office of the Chair as presented at the 10<sup>th</sup> Board Meeting.

The budgetary implications for this decision point are US\$ 192,000 for 2005.

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<sup>3</sup> A delegate noted that the regional meeting held in Rio was missing from the report and it was agreed to add this to the report but the Rio meeting is in 2005 not 2004 and therefore will be referenced in the 2005 report.

## **Agenda Item 17: Office of the Inspector General**

1. A delegate thanked the Secretariat for their work on the proposed Office of the Inspector General and proposed that the Board refer this to committee to develop the terms of reference and then to make a formal appointment at the Eleventh Board Meeting. Concern was expressed by several delegates that there would be no opportunity for Board review and approval with the proposed timetable, and it was agreed to send all related documents to the Board for email approval.
2. The delegate representing the USA noted that the US Congress had placed 25 percent of its contribution for 2005 in a holding area dependent on the creation of this office by September 30, the end of the American budget cycle, so there was a need to recommend a candidate by the Eleventh Board Meeting.

### **Decision Point:**

The Board requests the Finance and Audit Committee to develop, and present for approval by email prior to the 11<sup>th</sup> Board Meeting, terms of reference and a plan for the establishment of a Global Fund Office of the Inspector General, and recommend a candidate for the position of Inspector General for appointment by the Board at the 11<sup>th</sup> Board Meeting.

## **Agenda Item 18: Outgoing Chair and Vice-Chair of the Board**

3. The Chair called for standing applause to be given to express the appreciation of the Board to the Chairs and Vice Chairs of the former committees.
4. The Chair then delivered a farewell speech to the Board, thanking Private Sector delegate Rajat Gupta for encouraging him to put his name forward, Lennarth Hjelmaker for stepping aside as a candidate for Chair, all members for their diligence and cooperation, the Executive Director for his dedication and friendship, the Secretariat staff for their hard work and in particular the Board Relations Manager, Dianne Stewart, whom he described as the heart and soul of the Secretariat.
5. He commented on the tremendous achievement of starting with nothing and growing to become a Fund with US\$ 3.1 billion in commitments and US\$ 1 billion disbursed in only three years. He then thanked his staff, including his assistant Margaret Grebe and Dr. William Steiger, and he assured the Board that his replacement on the delegation, Randall Tobias, brought great passion to the job.
6. The Chair stated that he had had learned a great deal during his tenure as Chair of the Board and that he hoped the Board would continue to follow Robert's Rules of Order – though he acknowledged he had invented some of the rules himself.
7. The Chair left the Board with three things to consider: reviewing the stance on in-kind donations, even if it meant piloting a small experimental program to begin with; revisiting the term limit on experts willing to serve the Global Fund; and reconsidering the size of the Policy and Strategy Committee.
8. Delegates and the Executive Director expressed their heartfelt thanks to the Chair for his exceptional leadership and personal commitment, and for teaching the Board to disagree without being disagreeable. The Board Member from West and Central Africa, Dr Urbain

Owono presented the Chair with a gift on behalf of Board, the Secretariat and all constituencies, thanking him for his extraordinary contribution.

9. The former Chair recused himself from the next session, and the newly elected Chair, Dr. Carol Jacobs, assumed the position of Chair for the remainder of the meeting.

10. The delegate from Canada presented a motion concerning the Board's appreciation for the former Chair, which was adopted.

**Decision Point:**

We, the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria, wish to express our heartfelt gratitude and admiration for the remarkable contribution of our leader, Tommy Thompson, to the improvement of this Board and the cause of global health.

We, the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria, in recognition of the passionate and able work for health and justice of our Vice Chair, H  l  ne Rossert-Blavier, express our appreciation for her leadership in the Global Fund and wish her well in her personal struggle against disease.

## **Agenda Item 19: Quality Assurance of Limited and Single Source Pharmaceutical Products**

1. The Chair introduced the Chair of the Portfolio Management and Procurement Committee (PMPC), Prof. Francis Omaswa, to take the floor.

2. The PMPC Chair began with three items for Board information. He noted that in reviewing and approving Round 5 guidelines, the Board had not included an amendment on upper-middle income countries and that this issue would be taken up at a future time. He also noted that the lessons learned from the Technical Review Panel in Rounds 1 to 4 had been shared with the Board for their review. Finally, in terms of continuity of services, he explained that PMPC was working to support the Board on issues of sustainability and that it was important for the Board to turn its attention to the future of successful projects beyond their five-year terms.

3. The PMPC Chair then introduced decision points concerning Quality Assurance for Limited and Single-Source Products. He observed that it was a technically challenging subject which had been on the agenda for more than two years and that strong positions were held by most delegations. He thanked the Board and particularly the European Commission and Lieve Fransen for their hard work on the issue.

4. The Committee Chair reviewed the current procurement guidelines, which were due to expire the following week, and he reviewed the current status of qualified single- and limited-source products. He then presented the newly proposed procurement guidelines, noting that they were a near-consensus recommendation from PMPC.

5. The Chair of the Board thanked the Board and PMPC members for their hard work on the issue and opened the floor for discussion. Delegates thanked PMPC and the Board as a whole for their hard work and expressed gratitude for the consensus-building process.

6. A couple of delegates expressed concern about the potential for treatment interruption in the instance of the termination of a contract with a manufacturer, and proposed stronger language to ensure continuity of treatment. This was discussed, but other delegates felt that

the intent to find a satisfactory alternative to treatment before terminating a contract was already implied in the language of the proposed guidelines.

7. A delegate stated the importance of warning recipient countries in advance about the new guidelines and their implications and asked the Secretariat to provide information to the Board on how they would notify countries. Recognizing the central role of the WHO in prequalification processes and the heavy burden these processes created, the delegate also asked for the WHO to provide more information to the Board or the appropriate committee on the needs, available resources and budget shortfall for its prequalification program. The delegate suggested that solutions could potentially be found in conjunction with the Global Fund.

8. A delegate proposed that products that had been submitted but were no longer under consideration in an international prequalification process be terminated right away. This was accepted as a friendly amendment.

9. A delegate suggested that if a Principal Recipient proposed the purchase of a product using data that the Secretariat knew to be inaccurate, the Secretariat should recommend that the PR make a different choice. Information would be based on the database of product sources, manufacturers and supply to be created and managed by the Secretariat, as outlined in the decision point. This was accepted as a friendly amendment.

10. A delegate recommended a one-year time limit on the proposed guidelines in order to provide an incentive to manufacturers to come under regulatory approval, with the intent that PRs should have to defer to a stringent international regulatory body (including WHO) as soon as possible. The delegate also proposed that any supply for greater than a one-year time period should be subject to documentation under Option C.

11. Another delegate agreed, saying that the Global Fund could not compromise on product quality by funding inferior drugs, and manufacturers must be encouraged to move rapidly to get quality approval. The delegate observed that in addition, the whole process was dependent on the WHO prequalification process, which needed adequate resources to do the job, and that there should not be a list of drugs waiting to get through the process due to a budget shortfall for the program. The delegate suggested that if in a year's time, the WHO project had not accelerated, the decision would need to be revisited anyway.

12. A number of delegates talked about the importance of price, quality and accessibility, but noted that in an environment of limited-source products, options for approved product equivalents should not be closed. One delegate said that it was important to remember that with other large players scaling up treatment – for example, the World Bank, MSF and PEPFAR – there were significant areas of unpredictability in supply and demand.

13. Several delegates stated that while they agreed with the principles of a time limit in order to provide incentives to manufacturers, there was already an adequate time limit built into the text of the proposed guidelines and therefore no need to add anything more explicit. In addition, it was noted that the text already included a requirement to review the decision at the 14<sup>th</sup> Board Meeting in 2006.

14. One delegate observed that it was not for the Board to require information from WHO, but urged anyone who sat on the Executive Board of the WHO to plead for discussion on what needed to be done to accelerate the prequalification process – to identify the source of the delays and ways to address them.

15. The delegate representing WHO indicated that by the next Board meeting there would be a business plan for WHO's prequalification process which would address a number of questions that had been raised by various constituencies. The delegate also noted that the

prequalification process moved quickly when presented with a high quality dossier and that delays in clearance were often due to poor quality dossiers.

16. The Chair called the question and the amendment was defeated. Discussion returned to the original motion. The Secretariat's Procurement Manager confirmed that an approved Board definition of "stringent regulatory agency" existed in Board policy. One delegate called for review of the cost estimates for the decision and the need for an additional budget at the next Finance and Audit Committee meeting.

17. The Executive Director noted that this would be a very demanding policy, requiring enormous expertise that the Secretariat currently did not have. He also noted that he would be accountable for the full implementation of the policy, and that this would require significant strengthening of Secretariat capacity and an increase in outsourcing and management. He concluded by saying that to approve the policy without the proposed budget would mean the inability of the Secretariat to implement the policy.

18. One delegate acknowledged the demands of the policy and called on the Secretariat to work more closely with its technical partners to limit the amount of technical expertise needed within the Secretariat. The Executive Director emphasized that he did not wish to expand the Secretariat beyond its current mandate but that outsourcing would enable the Secretariat to demand a level of performance that it could not when it worked with its partners.

19. The motion was adopted.

20. The Committee Chair noted that the PMPC supported the Executive Director in his concerns regarding implementation and suggested that the Global Fund work with WHO, the World Bank and UNAIDS to map out the technical support needs of the Fund, cost it and find the resources to support the technical agencies to do this work.

21. The Secretariat's Procurement Manager observed that the Secretariat had eight days to implement changes before the existing policy expired at the end of the month. He emphasized the importance of up-to-date information on supply, which could change from one day to the next, the quantity of work required to track more than 150 products, and the need for a central source of information supported by all partners.

22. Two delegates said that while all governments were anxious to provide the best quality medicines available to their citizens, a lack of available information on sourcing, supply and pricing for products in recipient countries made it difficult. They emphasized that clear and unambiguous information on available products under options A and B was required for recipient countries and that if products did not fulfill A or B and a shift in approved drugs meant purchasing more expensive drugs, the Principal Recipient should be allowed to commit additional grant resources to procure new pharmaceutical products.

23. One delegate called for Board members that also sat on the Executive Committee of WHO to raise the issue in that venue.

24. The PMPC Chair noted that in reprogramming for malaria drugs there had been a means for dealing with increased costs, and he asked about the means to deal with the financial implications of the failure of a generic drug to qualify. The Director of Operations responded that there were Board processes in place for recipients to apply for early access to Phase Two funds if Phase One funds were exhausted through implementation of the program covered by the grant agreement.

25. A delegate asked the Secretariat whether a recipient could reallocate Phase One grant money to procurement from other areas. The Director of Operations indicated that this was

permissible as long as the reallocation did not affect the scope and key goals of the grant agreement.

26. The Chair called the question on the motion as amended, and it was adopted. The PMPC Chair thanked the Secretariat staff for their support and the PMPC and the Board for the time and effort they had put into all issues related to quality assurance of products procured with Global Fund grants.

27. The Chair of Board thanked Professor Omaswa for his long service as Chair of the PMPC and for his contribution to the work of the Board. Appreciation was also expressed to all outgoing Chairs and Vice Chairs of the committees who had worked so hard to improve and guide the work of the Fund.

### **Decision Point:**

The Board decides to change its policy on quality assurance approved at the Third Board Meeting on “option (c)” by replacing the decision on Agenda Item 10(B)(4)(b)(c) with the following and eliminating the last sentence of that decision on the “option (c)” time limit:

- Once there are two or more equivalent pharmaceutical products that meet the standards in Option (a) or Option (b), then Option (c) is not applicable. Contracts entered into on or before April 30, 2005 with suppliers for products that qualified for purchase under Option (c) may be honoured by the Principal Recipient until they expire. No new purchase contracts or contract extensions for such products will be allowed after April 30, 2005.
- If the Principal Recipient determines that there is only one or no equivalent pharmaceutical product that meets the standards in Option (a) or Option (b) OR if the Principal Recipient determines that the products that meet these standards are unavailable<sup>4</sup> and represents the same to the Global Fund Secretariat, and the Secretariat does not object, then Global Fund resources may be used to procure other equivalent pharmaceutical products, provided that the products are selected in accordance with the following, in order of priority:
  - (i) the manufacturer has submitted an application for product approval to the WHO Prequalification Program or a stringent regulatory authority AND is manufactured at a site that is compliant with standards of Good Manufacturing Practice (GMP), as certified after inspection by the WHO or a stringent regulatory authority;
  - (ii) the product is manufactured at a GMP-compliant manufacturing site as certified after inspection by the WHO or a stringent regulatory authority.

A Principal Recipient shall inform the Global Fund Secretariat if it procures under provisions (i) or (ii), after having followed the above process. In turn, the Secretariat, working with technical partners, shall contract an independent third-party to conduct random quality analysis of products being procured according to these criteria to ensure their quality in the absence of the Option (a) or Option (b) standard.

In the event that (a) the submitted application for product approval is no longer under consideration; or (b) the independent third party finds the quality of the product to be unacceptable, then the Principal Recipient shall promptly terminate the contract with the supplying manufacturer.

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<sup>4</sup> 'Unavailable' is defined as: inability of the manufacturer to supply a sufficient quantity of finished product within 90 days from date of order.

- In all cases, products purchased with Global Fund resources are subject to the monitoring product quality standards prescribed by the Fund as specified in Section 6 of the Report of the Third Board Meeting.
- Procurement of products according to criteria (i) or (ii) should be time limited and Principal Recipients should defer to Options (a) or (b) as soon as possible.

The Secretariat will monitor implementation of this decision and report to the Board at the Fourteenth Board meeting.

**The budgetary implications are in the amount of up to US\$450,000 per year for possible staffing and contracting costs associated with implementation of the decision above. The accuracy of this estimate and the need for additional funds beyond the approved total 2005 budget will be reviewed by the Finance and Audit Committee at its next meeting.**

## Agenda Item 20: LFA Workplan

28. The MEFA Committee Chair noted that concerns had been raised about an LFA review that was conducted by the Secretariat but not completely distributed to the Board. She explained that the review had not been made public because it was internal. MEFA Committee members had read the internal review and examined the Secretariat's workplan and wished to inform the Board that this had been done. She advised that no decision point was required, though one had been drafted.

29. In discussions on the workplan, two delegates registered concern that the Board and its committees had not taken LFA issues seriously enough to date, that questions had been raised about value for money and capacity of LFAs and that any changes to the LFA model should be approved by the Board, including any pilot projects. One delegate emphasized that the Secretariat should not commission studies unless they were requested by the Board and asked that a full copy of the review be distributed to all Board members.

30. The Executive Director confirmed that the Secretariat had no intention of changing the architecture of the Global Fund without reference to the Board and appropriate Board policy-setting. He clarified that the pilot projects referred to were not changes to the architecture but were changes to the contractual arrangements with the LFA in order to get better service at a lower cost, noting that this was part of the day-to-day operational activities of the Secretariat. He stated the Secretariat would report fully to the Committee and Board as changes to improve value for money and efficiency were made.

31. The Committee Chair observed that the fact that the LFA proceedings were being followed with such interest and with such varying perspectives should be noted by Board as it underlined the importance placed on having effective and efficient systems. She said that it was up to the Board to decide whether they wanted all pilots and any related changes to the LFA model presented to the Board before being carried out.

32. A delegate responded by saying that while LFA issues had not been taken seriously enough by the Board to date, no motion concerning pilot projects was necessary as long as the Secretariat noted that they would look carefully at Board concerns and that the Board would hear more about any pilots and modifications within the appropriate committee.

## Agenda Item 21: Any Other Business

33. The delegate representing the Western Pacific Region expressed concern about the amount of incremental funding to be allocated to grants without a transparent process of reporting the figure requested by CCMs. He indicated that it was unclear how the Phase 2 panel took into account the impact of the reduction of budgets on the outcomes of Phase 2 programming. He noted that many incremental funding decisions for Phase 2 were significantly lower than the amount requested by the applicant CCMs.

34. The delegate put forward a motion that CCM amounts requested for Phase 2 funding should be included in the email circulated to the Board alongside the figure recommended by the Secretariat.

35. The Chair confirmed that the Secretariat had indicated that this did not require a motion, and that they could simply include that information in future. The motion was withdrawn. The Chair suggested that the issue of improving the process concerning incremental funding could be added to the task force review agreed on earlier in the day. Delegates indicated that they had insufficient information and felt unable to vote on it.

36. The delegation representing Developing Country NGOs then put forward a motion concerning the encouragement of Round 5 proposals to include strengthening National Drug Regulatory Authorities in relation to the three diseases.

37. Delegates again registered concern about being asked to make decisions on motions without sufficient briefing or opportunity to review with their delegations. The presenting delegate suggested that it could be referred to the appropriate committee instead, and the Secretariat's Chief of Operations suggested that the spirit of the suggestion could be taken on immediately by the Secretariat in its regular conversations with its partners.

38. The delegate representing Communities said that the delegation had a motion concerning the question of the accessibility of FDA-approved medicines to a number of countries due to registration problems. The delegate proposed that the Board request the Secretariat to ask grantees to include their plan for registration of medicines during the grant negotiation process and during the Phase 2 grant renewal process, and also that the TRP include questions to applicants regarding their efforts on national registration of medicines relevant to the proposal.

39. The delegate also asked that the Portfolio Committee consider a revision of the existing Call for Proposals to include instructions to applicants to describe their plan to ensure registration of medicines where necessary for project implementation.

40. The Chief of Operations again stated that the Secretariat could bring this subject to consultations with its partners and that many of the concerns here would be addressed in procurement workshops now being offered to recipients. He confirmed that it was too late to change the proposal request form for Round 5, as the guidelines had already been sent out.

41. The motion was withdrawn.

## **Agenda Item 22: Title of Chair and Vice-Chair (Emeritus)**

1. The Board Member from Japan, Mr Shigeki Sumi, presented a motion that had been described the day before, having taken Board input into consideration with the language. He noted that it would be a shame to lose the input of former Chair Tommy Thompson and Vice-Chair H  l  ne Rossert-Blavier, and he therefore proposed the titles of Chair and Vice-Chair Emeritus for them, respectively, so that when they undertook tasks in support of the Global Fund, they could use this title with the approval on a case-by-case basis of the incumbent Chair or Vice Chair. In discussion, this was expanded to include all former Chairs and Vice-Chairs.

### **Decision Point:**

Secretary Tommy Thompson and Dr. H  l  ne Rossert-Blavier, Dr. Chrispus Kiyonga, Mr. Seiji Morimoto and Dr. Suwit Wibulpolprasert are entitled to use the title of Chair and Vice-Chair (Emeritus), respectively, when they deem it necessary to engage in tasks for promotion of the cause of the Global Fund.