

REPORT OF THE TWENTY-THIRD BOARD MEETING

Outline: This document presents the draft Report of the Twenty-Third Board Meeting and includes all decisions made at that meeting. The Report of the Twenty-Third Board Meeting is subject to ratification by the Board of the Global Fund at its Twenty-Fourth Board Meeting, 21-22 November 2011, in Accra, Ghana.

Accompanying documentation from the Twenty-Third Board Meeting is available at www.theglobalfund.org or by writing to board@theglobalfund.org.

Decision Points are clearly indicated.

Table of Contents

Agenda Items

Agenda Item 1:	Welcome Statements from the Chair and Vice-Chair	5
Agenda Item 2:	Approval of the Rapporteur	6
Agenda Item 3:	Report of the Executive Director	6
Agenda Item 4:	Global Fund Commitment to Transparency	9
Agenda Item 5:	High-Level Independent Review Panel	9
Agenda Item 6:	Eligibility, Prioritization, Cost Sharing	11
Agenda Item 7:	Governance Matters	13
Agenda Item 8:	Reform Agenda	14
Agenda Item 9:	Global Fund Strategy Framework 2012-2016	20
Agenda Item 10:	Recommended Decision Points from the Policy and Strategy Committee	22
Agenda Item 11:	Recommended Decision Points from the Portfolio and Implementation Committee	25
Agenda Item 12:	Recommended Decision Points from the Ethics Committee	27
Agenda Item 13:	Recommended Decision Points from the Market Dynamics and Commodities Ad-hoc Committee	27
Agenda Item 14:	Report to the Board on Matters Related to the Office of the Inspector General	31
Agenda Item 15:	Recommended Decision Points from the Finance and Audit Committee	33
Agenda Item 16:	Forecast of Assets Available for Grant Approval	38
Agenda Item 17:	Partnership Forum	38
Agenda Item 18:	2010 Annual Report	39
Agenda Item 19:	Report of the Trustee	39
Agenda Item 20:	Report from the Affordable Medicines Facility – malaria Ad-hoc Committee	39
Agenda Item 21:	Acknowledgments	40

Decision Points

Decision Point GF/B23/DP01:	Appointment of Rapporteur	6
Decision Point GF/B23/DP02:	Approval of the Agenda	6
Decision Point GF/B23/DP03:	Approval of the Report of the Twenty-First Board Meeting	6
Decision Point GF/B23/DP04:	High-Level Independent Review Panel	10
Decision Point GF/B23/DP05:	Election of Board Chair and Vice-Chair	13
Decision Point GF/B23/DP06:	Extension to the Board Committee Membership and Leadership Terms	14
Decision Point GF/B23/DP07:	Report of the Comprehensive Reform Working Group	15
Decision Point GF/B23/DP08:	Plan for Comprehensive Reform: Fiduciary Controls	16
Decision Point GF/B23/DP09:	Plan for Comprehensive Reform: Value for Money	17
Decision Point GF/B23/DP10:	Plan for Comprehensive Reform: Partnerships	19
Decision Point GF/B23/DP11:	Plan for Comprehensive Reform: Business Model	19
Decision Point GF/B23/DP12:	Plan for Comprehensive Reform: Governance	19
Decision Point GF/B23/DP13:	Plan for Comprehensive Reform: Implementation of Reforms, Monitoring and Learning	15
Decision Point GF/B23/DP14:	Global Fund Strategy Framework 2012-2016	21
Decision Point GF/B23/DP15:	Replenishment of TERG Members	22
Decision Point GF/B23/DP16:	Interim measure to address challenges experienced by First Learning Wave grants based on National Strategy Applications for Madagascar and Rwanda	23
Decision Point GF/B23/DP17:	Revised Country Coordinating Mechanisms Guidelines	25
Decision Point GF/B23/DP18:	Revisions to the Terms of Reference of the Technical Review Panel (TRP)	26
Decision Point GF/B23/DP19:	Revisions to the Whistle-blowing Policies	27
Decision Point GF/B23/DP20:	Revisions to the Ethics and Conflict of Interest Policy's Declaration of Interest Form	27
Decision Point GF/B23/DP21:	Global Fund Market-Shaping Strategy and Market-Shaping Interventions for ARVs	28
Decision Point GF/B23/DP22:	Expediting transition to fixed-dose combinations of artemisinin-based combination therapies (ACTs)	31

Decision Point GF/B23/DP23:	Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund	12
Decision Point GF/B23/DP24:	Global Fund Commitment to Transparency	9
Decision Point GF/B23/DP25:	Exceptional Extension Funding Related to the Timing of the Approval of Round 11	34
Decision Point GF/B23/DP26:	Approval of the Public Release of the Investigation Report on Mali Grants	35
Decision Point GF/B23/DP27:	Approval of 2010 Financial Statements	36
Decision Point GF/B23/DP28:	Communication of Losses and Recoveries arising from OIG Audits and Investigations	36
Decision Point GF/B23/DP29:	Approval of the 2010 Annual Report	39
Decision Point GF/B23/DP30:	Outgoing Chair and Vice-Chair of the Board	41

Agenda Item 1: Welcome Statements from the Chair and Vice-Chair

1. The Twenty-Third Board Meeting opened with a candle-lighting ceremony that was led by Communities delegation member Ms Morolake Odetoynbo. The candle was lit as a symbol to remember all who have passed away from AIDS, tuberculosis (TB) and malaria. Ms Odetoynbo drew attention to the Global Fund's work to promote and protect the human rights of vulnerable and marginalized people and communities all over the world – work that is particularly important at a time when human rights abuses continue to occur in many countries. She pointed in particular to the wave of homophobia sweeping across much of the African continent and remembered the activists fighting for justice and human rights for all who were killed recently. “Our hearts also goes out to our friend and colleague Robert Carr, a brave warrior in the fight against AIDS, who passed away this weekend,” she added. A moment of silence was observed after the candle was lit.
2. Board Chair Dr Tedros Adhanom Ghebreyesus welcomed the Board to the meeting and introduced new Board Members.
3. He then outlined his vision for the meeting, pointing out that the last six months had been very challenging for the Global Fund and highlighting that everyone had done their best to address the challenges and turn them into opportunities to take the Global Fund to the next level by making it even more efficient and effective. He said that he was really encouraged by the many things the Board and Secretariat had been able to achieve since the last meeting, from moving swiftly on the reform agenda, to establishing the High-Level Independent Review Panel on Fiduciary Controls (High Level Panel), to making fast progress in developing a first draft of the Global Fund's new Strategy Framework. He assured everyone that the Global Fund would continue to uphold the principle of transparency and stick to zero tolerance for fraud.
4. The Board Chair took the opportunity to thank the staff for their hard work and their commitment. He assured them that, while responding to the challenges and moving forward on the reform agenda and new strategy framework had led to a further increase in workload for many staff, ultimately these processes should lead to solutions, address systemic problems and bring about a better work environment for staff. In this context, he also spoke about the need to more clearly define and ultimately limit the Board's role, which should be to provide leadership and set directions, rather than be involved in the daily management of the Global Fund. He emphasized that the Fund needs an empowered Secretariat and that the Board needs to focus on the big picture and stop micro managing the Fund.
5. He highlighted the importance of strengthening the Global Fund partnership, saying that he had been disappointed to see some action over the last six months that had threatened the partnership. Specifically, he referred to the fact that some partners had taken unilateral action to withhold funding, which has affected the partnership and may also affect the Global Fund's results.
6. He cautioned against weakening the principle of country ownership, saying that “it is by empowering countries that we will see results - this is what countries actually need and what we need to uphold as one of the best things of this great institution.”
7. He pointed out that the Global Fund had achieved excellent results, in many countries, and that it should build on its many strengths and the results achieved to date, and move forward resolutely to achieve even better results, re-affirming the commitment to reaching the Millennium Development Goals (MDGs). He thanked the staff, all board members and all partners for supporting him and Ernest Loevinsohn as Chair and Vice-Chair, saying that his tenure as Chair had been very rewarding and very challenging – a great experience – and that he would continue to be an ambassador of Global Fund.

8. Board Vice-Chair Mr Ernest Loevinsohn thanked the Chair. In his brief remarks, he mentioned how “the world is full of opportunities disguised as unsolvable problems.” He reminded everyone that, only 10 years ago, few people thought that anti-retroviral therapy (ART) could be provided to people in need in poor countries; and that very little progress had been achieved in the fight against malaria and TB. Now, only 10 years later, “the world has changed, in large part thanks to the work of the Global Fund.” He expressed the hope that implementation of the reform agenda and adoption of a forward-looking and ambitious new strategy “could spur the same forward motion and commitment to go the second half of the way and bring us to where we need to get in the fight against AIDS, TB and malaria”.

Agenda Item 2: Approval of the Rapporteur Approval of the Agenda Approval of the Report of the Twenty- Second Board Meeting

1. The Board Chair informed the Board that Mr Maksut Kulzhanov from the Eastern Europe and Central Asia Constituency is designated as rapporteur for the Twenty-Third Board Meeting. The decision point was approved without discussion.
2. The Board Chair presented the agenda for the Twenty-Third Board Meeting. The decision point was approved without discussion.
3. The Board Chair presented the Report of the Twenty-Second Board Meeting. The decision point was approved without discussion.

Decision Point GF/B23/DP1

Mr. Maksut Kulzhanov from the Eastern Europe and Central Asia constituency is designated as rapporteur for the Twenty-Third Board Meeting.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Decision Point GF/B23/DP2

The agenda for the Twenty-Third Board Meeting (GF/B23/1 Revision 1) is approved.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Decision Point GF/B23/DP3

The report of the Twenty-Second Board Meeting (GF/B23/2) is approved.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 3: Report of the Executive Director

1. Global Fund Executive Director Prof Michel Kazatchkine delivered his report to the Board, noting that in the ten years since Kofi Annan called for the creation of a Global Fund, the institution has mobilized \$30 billion in donor support and innovative financing, enabled scale-up of programs in 150 countries, brought interventions to millions of people in need, helped to strengthen health and community systems, achieved significant impact and saved an estimated 6.5 million lives.

2. He highlighted the reform agenda as the number one corporate priority in 2011 and committed himself to making sure the Secretariat will make a strong contribution to the implementation of the reform plan produced by the Comprehensive Reform Working Group (CRWG). He noted that many of the reforms initiated within the Secretariat are well advanced.

3. He described the range of activities underway between Global Fund partners on strategic and technical issues and to support implementation at country level. He said that in many ways the Global Fund partnership is flourishing, but highlighted that a key focus of concern remains how best to improve the operational partnership of the Global Fund in countries while maintaining Secretariat staff based only in Geneva.

4. Prof Kazatchkine reported about the measures taken to respond to the reports of fraud in a number of countries and to address portfolio-wide risks identified by the Inspector General. He noted that addressing the negative media reports about fraud and corruption in Global Fund grants had occupied much time and energy over the last months. He reaffirmed the Secretariat's commitment to transparency and accountability, while recognizing that it is not possible to eliminate risk in every setting where the Global Fund supports programs. He noted the need for establishment of clear modalities for how and when information on fraudulent, unsubstantiated or ineligible expenditure is made public so as to prevent destabilization of the Fund in the future. He further noted that, partly because of the negative and misleading media reports, but also because of continuing constraints in donor budgets and the business sector, the Global Fund faces a challenging resource mobilization environment in 2011; outlined the ongoing resource mobilization efforts and announced that a mid-term review of the Third Replenishment is expected to take place in March/April 2012.

5. He described recent activities in the Secretariat, thanking Board Chair Dr Tedros Adhanom Ghebreyesus for his recognition of the staff's extraordinary commitment and efforts. He noted that addressing issues arising from staff surveys, such as a consistent lack of "work-life balance" and limited career development opportunities, was a high priority for the executive management team.

6. He then provided an overview of key aspects of the portfolio and of the Global Fund's results in the three disease areas at the end of 2010, emphasizing the growing evidence of impact of Global Fund-supported programs and the contributions the Fund is making to the achievement of international/MDG targets. He pointed out how, as the Global Fund is looking ahead to the MDG deadline of 2015, the Board and Secretariat are working hard not only on the reform agenda, but also to develop a new Global Fund strategy for the next five years, to ensure the Fund achieves its maximum potential and impact as a partnership and financing institution. He noted that the strategy and implementation of the reform agenda will not only equip the Global Fund for the future, but also help restore trust in the Global Fund. He highlighted that the strategy's draft goals reflect a balance between bold ambition and realism, and that achieving them will require substantial improvements in efficiency and effectiveness, increased replenishment and more targeted allocation across the portfolio. He concluded by warmly thanking the outgoing Chair and Vice-Chair for their leadership and support, as well as all outgoing Committee Chairs and Vice-Chairs and other Board members whose terms end or who are leaving the Board.

7. Board delegates thanked the Executive Director and the entire Secretariat for the comprehensive report and outstanding work undertaken since the last Board meeting. Several delegates emphasized the importance of the reform agenda and congratulated the Secretariat for having initiated many reforms even before the CRWG was established, and generally for the progress on the reform already made and the commitment to doing even more. Delegates noted how important the swift implementation of the reform agenda is to restoring the trust in the Global Fund in the wake of the negative and misleading media reports about fraud. They expressed confidence that those countries that have withheld their 2011 contributions will soon pay those contributions, once the high-level, independent review panel releases its first, interim report or other processes are concluded. Many delegates agreed with Board Chair Dr Tedros Adhanom Ghebreyesus that the challenges the Fund faces should be used as opportunities, and predicted that ultimately the Global Fund will emerge stronger and even better equipped to produce results and impact.

8. A few delegates noted that the Executive Director's report reflects tension between the Secretariat and the Office of the Inspector General (OIG), and said that re-establishing a climate of trust would be critical. Many delegates highlighted the importance of Global Fund programs to their regions, and expressed the hope that the Global Fund would remain truly global, able to respond to the needs of people who would otherwise not be able to access services in every region of the world.

9. Among other things, delegates highlighted the importance of further strengthening the Global Fund partnership and remaining committed to transparency; noted that some of the concerns implementing countries have been raising have not been taken seriously enough, and that the Global Fund is becoming too bureaucratic and imposes too many pressures on countries instead of strengthening country ownership; pointed out that the Global Fund is not only providing results in terms of lives saved and infections averted, but has brought with it an extraordinary possibility for dialogue and collective engagement involving civil society, communities, the private sector, and government at the country level; and expressed the need for a greater emphasis in country proposals on community system strengthening. Some delegates noted they would provide additional, written comments after the meeting.

10. The Executive Director thanked the Board for their response, noting that he would read all written comments carefully and respond to them. He thanked his colleagues in the executive management team and all Secretariat staff and repeated his commitment to the reform agenda and to designing an ambitious strategy that, provided adequate resources are available, would help the world come very close to reaching the health-related MDGs by 2015.

Agenda Item 4: Global Fund Commitment to Transparency

1. The Board Chair asked Mr Peter van Rooijen, Chair of the Finance and Audit Committee (FAC), to introduce a decision point reaffirming the Global Fund's strong and continuing commitment to transparency. Mr van Rooijen explained that, because of media coverage questioning the Global Fund's commitment to transparency, passing this decision point on the first day of the Board meeting, rather than waiting until later on in the meeting, could send a timely and strong message about the Fund's commitment to transparency.
2. While fully supporting the intent of the decision point, some delegates who had not seen the decision point before suggested that it should be discussed after the report by the Office of the Inspector General, as originally intended. Discussion thus resumed on day two of the meeting. After a minor amendment to clarify that not only the Board, but the Global Fund as a whole including in particular the Secretariat, are fully committed to transparency, the decision point passed.

Decision Point GF/B23/DP24

1. ***The Board reaffirms the Global Fund's strong and continuing commitment to the highest standards of transparency and accountability.***
2. ***The Board further reaffirms the Global Fund's commitment to a fully independent and transparent Office of the Inspector General as set forth in the OIG Charter and Terms of Reference.***
3. ***The Board looks forward to receiving the views of the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms on existing arrangements and its recommendations on ways to further improve the fiduciary controls and oversight within the Global Fund.***

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 5: High-Level Independent Review Panel

1. The Board Chair introduced the Co-Chairs of the High-Level Independent Review Panel, their excellencies President Festus Mogae and Governor Michael Leavitt. He noted that, together with the comprehensive reforms to increase the Global Fund's effectiveness, the High-Level Panel represents a central component of the efforts to ensure that Global Fund funding indeed always reaches its intended beneficiaries and that its systems to prevent and detect fraud are as robust as possible.
2. Governor Leavitt, on behalf of himself and President Mogae, introduced all members of the High-Level Panel as well as its staff, led by Dr William Steiger. He said that the panel acknowledges both the importance of the high-level independent review to the Global Fund and the importance of the Global Fund, noting that in the view of the panel members the Fund is vital to the lives of millions. He added that the panel members are committed to working quickly, acknowledging that there some Constituencies have called for speedy delivery of the panel's report; but said that, at the same time, there is a need to be thorough, to be able to provide a knowledgeable assessment and a series of important recommendations in four major areas: the role and the function of the Secretariat; the role and function of the OIG; Local Fund Agents, their function and methods; and internal controls of principal recipients. He explained how the panel will work and said that, in particular, it will undertake field visits to around 10 countries and would do a desk review of

programs in roughly 40 countries. He concluded by saying that the panel intends to submit an interim report by 30th June and a final report by September, 15th.

3. President Festus Mogae introduced himself as an AIDS activist who attaches the greatest importance to the Global Fund. He emphasized the panel's commitment to visit a representative sample of countries, to be as objective and independent as possible, and to issue its conclusions in a timely fashion.

4. The Board Chair thanked the Co-Chairs and all members of the panel. In discussion, delegates added their thanks, noting that the panel can play a very important role in helping identify best practices for fiduciary oversight, but also in defining the necessary, appropriate oversight and management of the OIG and in looking at systemic issues, including the Fund's business model, if necessary. Delegates emphasized the importance of a meaningful interim report which will be a decisive element for some donors that have yet to make their 2011 contributions.

5. Other issues raised by delegates included the need for highlighting not only what does not work, but also best practices; the imperative to mitigate risk without becoming risk-averse; the importance of strengthening country ownership by both civil society and country government leadership and, in particular, to build country capacity in financial management and fiduciary controls; and the value of early warning systems so that fraud can be prevented. Delegates expressed a hope that the deliberations of the panel would be informed by, and inform, both the comprehensive reform agenda and the development of the strategy and its implementation plan.

6. Governor Leavitt concluded by pledging the panel's commitment to independence and by ensuring delegates that the panel will strive to make an important and valuable contribution to the Global Fund's future .

7. The Board Chair introduced the decision point on the high-level panel which passed without further discussion.

Decision Point GF/B23/DP4

The Board approves the establishment of a High-Level Independent Review Panel on fiduciary controls and oversight mechanisms under the Terms of Reference contained in Annex 1 to the document entitled "High-Level Independent Review Panel on the Fiduciary Controls and Oversight Mechanisms" (GF/B23/21).

The Board notes that the estimated cost of the High-Level Independent Review Panel is approximately USD 2.2 million for consultancy fees and costs associated with travel and meetings. The Board delegates the Finance and Audit Committee (FAC) to consider and approve the High-Level Independent Review Panel budget within the framework of the 2011 administrative budget review, which is scheduled for June 2011.

Agenda Item 6: Eligibility, Prioritization, Cost Sharing

1. The Board Chair introduced the discussion of eligibility, prioritization and cost sharing which continued on day two of the meeting when the decision point was voted on. He started by acknowledging the hard work that went into this very complex work stream over the last year, and thanked Dr Suwit Wibulpolprasert and Ms Michele Moloney-Kitts, the PIC/PSC Working Group Co-Chairs, who led this process; all the members of the PIC and PSC; the Inter-Agency Working Group, and the TRP leadership. He noted that this had been a challenging process involving a lot of consultation and pointed out that the Donor Constituencies recently proposed changes to the decision point which have been opposed by the Implementer Constituencies.

2. Dr Wibulpolprasert and Ms Moloney-Kitts presented the outcome of the review of the Global Fund's Eligibility and Cost Sharing Policy. They highlighted that an integrated and internally consistent model had been developed that links eligibility, counterpart financing and prioritization, with the following main features: it keeps eligibility generally broad and builds on the positive response to the "most at risk populations" reserve in Round 10; in addition to a General Funding Pool, it establishes a Targeted Funding Pool applying to all three diseases, which seeks to support programs focused on underserved and most-at-risk populations and/or highest-impact interventions within a defined epidemiological context; it introduces an eligibility filter based on history of recent funding, allowing for some exceptions; it introduces a new approach to counterpart financing that is more grounded and operationally feasible and will help achieve the additionality principles of Global Fund financing; and it improves upon the existing prioritization rules to better capture need as a mix of country disease burden and ability to pay and links with other policies.

3. They emphasized that the changes recommended to the current eligibility criteria seek to ensure broad but focused access to Global Fund resources and explained that the changes are primarily related to middle income countries which will be required to show greater emphasis on populations and/or interventions most in need of Global Fund support. They also referred to the changes proposed by the Donor Constituencies shortly before the Board meeting, noting that the amendment pertains only to the eligibility criteria, proposing that eligibility be further restricted by making Lower , Lower Middle-Income Countries (Lower LMICs)LMICs with low disease burden and Upper LMIC with moderate or low disease burden eligible only for the Targeted Funding Pool.

4. They emphasized the importance of approving the revised eligibility, counterpart financing and prioritization criteria, noting that at its Twenty-Second meeting the Board had acknowledged its responsibility to take a decision at this Board meeting in order to launch Round 11.

5. In the discussion, delegates from the Donor Constituencies acknowledged the hard work undertaken by the PIC/PSC Working Group and the Secretariat, but said that they had proposed amendments to the eligibility criteria to ensure greater focus on the poorest countries with the highest disease burden. They emphasized the need to think longer term, in times of economic constraints, and said that in such times it makes sense to make certain LMICs eligible only for the Targeted Funding Pool, where they have the greatest chance to succeed and to make an impact.

6. Delegates from the Implementer Constituencies strongly objected to the amendments and asked that they be withdrawn, saying that they had been submitted late and that the amendments would exclude "many people in need in many countries". They pointed out that they, too, had many concerns about the proposal put forward by the PIC and the PSC , particularly because it further restricts access by some countries, in some regions, to Global Fund financing; but emphasized that it represents the best possible compromise, reached after around two years of hard work. They agreed that it is the responsibility of all countries

to provide at least some counterpart financing, but expressed concern that as a result of the revised policy, some countries may divert resources from other health areas to the three diseases. Therefore, they stressed that it will be important to monitor the impact of the new policy, to guard against this and other potential unintended consequences of the new policy; and to revise the policy in the future again if necessary. With regard to the new eligibility filter based on history of funding, they emphasized that it should not be used to hinder scale up where countries can demonstrate capacity, willingness, and impact.

7. In response, Dr Wibulpolprasert and Ms Moloney-Kitts emphasized that the new eligibility filter based on funding history includes certain exceptions, since its intention indeed is not to hinder scale up where there is adequate absorptive capacity and ability to roll out new interventions; and that the provisions for counterpart financing are completely in line with the additionality principle that the Global Fund has always adhered to, but are better defined and nuanced, made more measurable, and can now be better monitored in order to ensure adherence and accountability. They agreed that certain aspects of the proposal that are new should be monitored and revised if unintended consequences occur.

8. At this point, no consensus could be reached, and the Board Vice-Chair suggested that a few delegates work during the breaks to come up with a compromise that every delegate could agree to. Discussion resumed on the second day of the meeting. The proposed amendment was withdrawn and the decision point passed. Some delegates requested that the minutes note explicitly that the eligibility filter based on funding history should never be used to inappropriately hinder countries' scale-up efforts. They asked that a transparent and effective process be created to ensure that exceptions to the criteria will indeed be made, as provided by the new policy.

Decision Point GF/B23/DP23

- 1. The Board refers to its decisions at the Twenty-Second Board Meeting entitled "Review of the Eligibility and Cost Sharing Policy" (GF/B22/DP8), "Measures associated with funding future proposals" (GF/B22/DP25), and "Launch of Round 11, the Second Wave of National Strategy Applications and a Health Systems Funding Platform Pilot" (GF/B22/DP26).**
- 2. The Board approves the document entitled "Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund" as set out in Attachment 1 (GF/B23/14) as the new policy governing these matters with the intention that this new policy shall apply to Round 11, the Second Wave of National Strategy Applications, the Health Systems Funding Platform Pilot and future funding opportunities.**
- 3. To give effect to the new Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund from Round 11 onwards, the Board decides as follows:**
- 4. To revoke the current policy on Income Level and Cost-Sharing Eligibility Criteria for Proposals for Funding from the Global Fund approved during the Sixteenth Board Meeting (GF/B16/DP18, Document GF/B16/7 Revision 1, Attachment 1) as amended at the Nineteenth Board Meeting (GF/B19/D13, GF/B19/DP14, GF/B19/DP15, Document GF/B19/05, Attachment 1); and**
- 5. To amend the Comprehensive Funding Policy and Related Board Decisions as approved at the Sixth Board Meeting (as amended at the Thirteenth Board Meeting and by GF/B15/27, GF/B20/DP9,**

EDP/B21/20 and GF/B22/DP22) by deleting paragraph 8 and replacing paragraph 7 b. of the Comprehensive Funding Policy with the following new sub-paragraph as follows:

“7 b. If sufficient resources are not immediately available to approve all TRP-recommended proposals, proposals shall be prioritized in accordance with the Prioritization requirements set out in the “Policy on Eligibility Criteria, Counterpart Financing Requirements and Prioritization of Proposals for Funding from the Global Fund” (GF/BM23/DP23).”

The budgetary implications of this decision are estimated at approximately US\$ 630,000 for professional fees to provide support, as needed, for the collecting and reporting on spending data for Counterpart Financing requirements. This amount is not included in the 2011 Operating Expenses Budget.

Agenda Item 7: Governance Matters

Election of Chair and Vice-Chair of the Board

1. The Board Chair announced and put forward to a vote the nominees for Chair and Vice-Chair of the Board. He reminded delegates that, following Global Fund tradition and the Board Operating Procedures, the leadership of the Board must rotate between the implementing and donor blocs; and explained that, according to the new rules that the Board approved at the twenty-second Board meeting in December 2010 in Sofia, it is now possible to elect a Chair and Vice-Chair who are not already board members. He thanked everyone who, since the nomination process started in February, has worked hard towards agreeing on the nominees. On behalf of the Donor Bloc, he nominated Mr. Martin Dinham for the position of Board Chair. Mr Dinham has had a distinguished career with DFID and recently retired as a Director General with the Department. As an expert on politics and international affairs, he has specialised in the fields of international aid and human resources. On behalf of the implementer bloc, the Board Chair nominated Dr Mphu Ramatlapeng, who has been the Minister of Health and Social Welfare of Lesotho since 2007. She assumed the post after serving as the first Country Director of the Clinton Foundation HIVAIDS Initiative in Lesotho from 2005. Prior to joining the Clinton Foundation, she practised as a physician for more than 20 years in Mafeteng District, Lesotho, and was a lecturer at the National Health Training College.

2. Before the decision point passed, delegates expressed their enthusiastic support for Mr Dinham and Dr Ramatlapeng, highlighting their great experience and commitment.

Decision Point GF/B23/DP5

The Board appoints Mr. Martin Dinham as Chair of the Board and Dr. Mphu Ramatlapeng as Vice-Chair of the Board for a two-year mandate from the adjournment of the Twenty-Third Board Meeting and until the adjournment of the first Board Meeting in 2013.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Extension to the Board Committee Membership and Leadership Terms

1. To make sure that the Board is able to continue functioning and can be advised by its committees, the Board Chair proposed that the terms of the Board committees, with the current leadership and membership, be extended for as long as it takes until the incoming Chair and Vice-Chair can put forward the necessary decisions for the Board on the new leadership.
2. In discussion, some delegates said that they would prefer not to extend the terms indefinitely and suggested that the new Board Committee membership and leadership be appointed no later than the end of the last Board meeting in 2011. With this minor amendment, the decision point passed.

Decision Point GF/B23/DP6

1. ***The Board decides to extend the membership and leadership terms of all the existing standing and ad hoc Board Committees until the appointment of the incoming Board Committee membership and leadership, which shall be no later than the end of the last Board meeting of 2011.***
2. ***The Board extends its gratitude to all Committee leaders and members for their continued commitment to the Global Fund.***

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 8: Reform Agenda

1. Global Fund Executive Director Prof Michel Kazatchkine and Board Chair Dr Tedros Adhanom Ghebreyesus presented an overview of the ongoing reforms initiated by the Secretariat in 2008/2009 and of the findings and recommendations of the CRWG established by the Board in December 2010. They highlighted that the rapid expansion of the Global Fund has been an unprecedented development in the history of global health, and that the Fund has produced exceptional results in saving and improving millions of lives. At the same time, they pointed out that the Fund, as a learning and evolving organization, is committed to examining and adjusting its operations, processes, structure, and business model to reflect a decade of hard-earned experience, respond to changing circumstances, and maximize the health impact of its resources.
2. They highlighted that, based on the CRWG's analysis and building on work already underway by the Secretariat, there are opportunities for the Global Fund to pursue improvements in the following nine areas: (1) enhanced fiduciary control and risk-management; (2) improved resource allocation and increased value for money; (3) improved proposal development and review processes; (4) improved grant management; (5) improved Global Fund internal management; (6) improved partnership and in-country structures; (7) improved governance; (8) enhanced resource mobilization; and (9) increased sustainability and efficiency. They pointed to the detailed Plan for Comprehensive Reform (PCR) that captures major reform efforts that are already underway, as well as those identified by the CRWG, highlighting that the PCR will evolve based on Board approved decisions based on recommendations of the CRWG, as well as recommendations from the HLP, the Strategy process, and ongoing work of Board committees.
3. They concluded by introducing seven decision points, from general ones embracing the CRWG Report, fully supporting the need for continuous reform, and laying out how the reforms will be implemented and progress monitored, to specific ones concerning each of

the following five areas that represent particularly good opportunities to achieve early gains from reform: (1) fiduciary controls; (2) value for money; (3) partnerships; (4) business model; and (5) governance.

4. In discussion, delegates thanked the members of the CRWG and all those supporting the group's work, voiced strong support for the report of the CRWG and fully supported the need for continuous reform. The decision point embracing the CRWG report passed without further discussion.

Decision Point GF/B23/DP7 (Report of the CRWG)

The Board embraces the Report of the Comprehensive Reform Working Group (CRWG Report GF/B23/13) and fully supports the need for continuous reform. The Board also endorses the broad direction of the Plan for Comprehensive Reform (PCR), as included in Annex 1 to the CRWG Report (GF/B23/13), and specifically recognizes its enumerated reform objectives.

5. Delegates also voiced strong support for the next steps concerning implementation of the reforms, as outlined in decision point 13. They highlighted the need for a clear plan on how exactly the operational and governance reforms will be taken on and advanced, developed by the Secretariat working with the incoming Chair and Vice-Chair of the Board. With one minor amendment, the decision point passed.

Decision Point GF/B23/DP13 (Implementation of Reforms, Monitoring and Learning)

- 1. The Board acknowledges that the Global Fund, as a whole, needs to move forward thoughtfully with the implementation of the overall comprehensive reform agenda, and asks that the Secretariat and incoming Chair and Vice-Chair of the Board take on and advance the operational and governance reforms recommended in the Report of the Comprehensive Working Group (CRWG Report, GF/B23/13).***
- 2. The Board notes that strategic priorities will need to be set in anchoring the operational reforms in the Secretariat's current workplan. The Board encourages the Secretariat to engage with the Chair, Vice-Chair, and Finance and Audit Committee (FAC) regarding resource implications for successful implementation of these reforms.***
- 3. The Board acknowledges that consultations with direct implementers have been conducted in Ukraine, Kenya, Thailand, El Salvador and Senegal as part of the comprehensive reform process, and that those inputs should be taken into consideration during the implementation of reforms.***
- 4. The Board acknowledges that it will be accountable for the successful implementation of the comprehensive reform agenda. The Board requests the Executive Director and incoming Chair and Vice-Chair to jointly submit a report at Twenty-Fourth and Twenty-Fifth Board Meeting, which outlines overall progress in relation to the nine reform objectives.***

6. The Vice-Chair then opened the floor for discussion of any of the five remaining decision points concerning the areas representing particularly good opportunities to achieve

early gains from reform: fiduciary controls; value for money; partnerships; business model; and governance. Discussion moved from general comments concerning one or several of the areas, to specific comments about, and suggested amendments to, specific decision points. Some delegates noted that they had additional comments, but that in the interest of time they would provide these in writing to the Secretariat and incoming Chair and Vice-Chair and possibly to the entire Board.

7. With regard to fiduciary controls, delegates emphasized the need for a calibrated approach to risk management, replacing the one-size-fits-all approach used to date, acknowledging that greater assurance can be placed on the accountability frameworks of high-performing countries compared with those with more challenging implementation environments. Another key issue in this respect, highlighted by many delegates, is the need to build country capacity by strengthening countries' own fiduciary control mechanisms. The decision point passed.

Decision Point GF/B23/DP8 (Fiduciary Controls)

- 1. The Board recognizes that an effective system of fiduciary control that spans from proposal development through grant implementation is essential to the Global Fund.**
- 2. As such, the Board requests the Secretariat to take the following actions as specified in Part 5.2.i-iv of the Report of the Comprehensive Reform Working Group (CRWG Report) GF/B23/13, and report on its progress and implementation of these actions at the Twenty-Fourth Board Meeting:**
 - i. Develop an accountability framework for fiduciary control and risk management;**
 - ii. Strengthen the application and enforcement of minimum Principal Recipient requirements;**
 - iii. Develop a fully transparent information system and an effective communications strategy; and**
 - iv. Develop a calibrated and differentiated response mechanism.**
- 3. Pursuant to Part 5.2.v of the CRWG Report, the Board requests that the Finance and Audit Committee (FAC) review and refine the position and scope of audit and investigation functions, and report on its progress at the Twenty-Fourth Board Meeting.**

8. With regard to value for money, delegates stressed that the Global Fund should be much more proactive in achieving better value for money, not only by driving prices of health commodities down and optimizing product selection, but also by making sure the Global Fund funds the right things for the right people, including new interventions whose uptake is sometimes too slow. They requested that the purpose of efforts to increase value for money be clarified, stressing that it is not primarily to save money, but to maximize the impact of every dollar spent for the benefit of countries and people most in need. They highlighted the active role that partners will have to play in identifying the countries of underinvestment, populations at highest risk and highest impact interventions, as well as in the provision of technical assistance. They further highlighted that efforts to achieve greater value for money should not be undertaken at the expense of country ownership, noting that implementing countries should be the ones to benefit most from greater value for money, including through being incentivized to reinvest savings obtained in other areas of need or innovation.

9. Some delegates requested that the language in the decision point clearly reflect the voluntary nature of pooled procurement, recognizing that for many countries, strengthening their own procurement policies and procedures may remain the priority. With regard to efforts to determine reference prices to establish maximum levels of Global Fund payments for appropriate products, Leslie Ramsammy, Board member for the Latin America and the Caribbean constituency, expressed a concern that the language in the decision point, specifying that reference prices “should be set at the lowest accessible competitive price consistent with well-functioning and sustainable markets, recognizing differences according to country income and disease burden,” would disadvantage countries in his region because they would be denied access to reduced prices. In response, the Vice-Chair clarified that the intent of the provision was not to deny countries lower prices, but rather to allow the Global Fund to reimburse a higher amount if a country has to pay higher prices. It was agreed that the minutes should reflect this discussion and specifically state that the incoming Chair and Vice-Chair will consider how this can best be implemented in a way that furthers the interests of all parties, including communities in Latin America and the Caribbean. With some minor amendments, the decision point passed.

Decision Point GF/B23/DP9 (Value for Money)

- 1. The Board recognizes that the Global Fund is well-positioned to drive value for money and should leverage its role as the primary financier of essential health products so as to improve quality, price, design, and sustainable supply. In this context the Board asks the Market Dynamics Committee to propose to the Twenty-Fourth Board meeting expanded uses for the MDC's “toolkit” of interventions—including opt-out mechanisms.***
- 2. When value for money efforts generate savings, the normal consequence is that such savings should stay in countries to scale up efforts against one or more of the three diseases.***
- 3. In order to drive value for money, the Board requests the Secretariat to:***
 - i. Take all necessary and appropriate measures to (1) fully implement voluntary pooled procurement (VPP) and (2) aggressively execute the Market Dynamics Committee recommendations.***
 - ii. Work with the MDC to determine reference prices to establish maximum levels of Global Fund payments for appropriate products. Reference prices should be set at the lowest accessible competitive price consistent with well-functioning and sustainable markets, recognizing differences according to country income and disease burden.***
 - iii. Set limits on how much support the Global Fund will provide in categories of expenditure where there is a risk of overuse or inefficiency (“yellow light” items, e.g., vehicles).***
 - iv. Work proactively with Principal Recipients (PRs) and Country Coordinating Mechanisms (CCMs) to use reprogramming within countries to ensure increased use of cost-effective interventions to maximize health impact. The Secretariat should incorporate guidance from technical partners to help guide this reprogramming.***
- 4. In the context of reporting to the Board on the Global Fund’s portfolio and its impact on the three diseases, the Secretariat is***

asked to provide an annual report on its value for money work, including quantified results in terms of savings and additional coverage or impact.

10. With regard to partnerships, some delegates felt that greater attention will have to be given to ensuring integration and alignment with existing in-country mechanisms. Other delegates said that the Global Fund should seriously consider establishing regional or country offices as a pilot in some regions/countries, to get closer to the grants and the implementation challenges at country level. UNAIDS Executive Director Michel Sidibé said that UNAIDS did not have any strong objections to the specific recommendations, as long as it was clear (and reflected in the minutes) that the main starting point – and goal – is to ensure country ownership and strengthen sustainable in-country capacity. With regard to strengthening “country-level mechanisms to build on goodwill-based partnerships through formalized agreements between in-country stakeholders to ensure effective technical cooperation, country support, and capacity building in areas that have been identified as gaps,” Global Fund Executive Director Michel Kazatchkine said he was concerned that this could generate additional bureaucracy and that it should therefore be carefully piloted and monitored. After these clarifications, and with one minor amendment, the decision point passed.

Decision Point GF/B23/DP10 (Partnerships)

The Board recognizes that the Global Fund, as a financing agency, is both a part of, and heavily dependent on, a partnership model in a range of its strategic functions including to an extent for the success of countries in developing, managing and implementing grants in countries. The Board supports consideration of the recommendations set forth in Parts 5.8-5.10 of the Report of the Comprehensive Working Group GF/B23/13 in the Strategy Process. The Board requests that the Secretariat move on the following two items in the near term, and report on its progress and implementation of these actions at the Twenty-Fourth Board Meeting:

- i. Strengthen country-level mechanisms to build on goodwill-based partnerships through formalized agreements between in-country stakeholders to ensure effective technical cooperation, country support, and capacity building in areas that have been identified as gaps, e.g., in technical, financial, and operational management.***
- ii. Use flexible funding models, where agreed by the Country Coordinating Mechanisms (CCMs) and Principal Recipients (PRs), to utilize existing grant budgets to improve financing of partner support for grant implementation, particularly in bottleneck situations.***

11. With regard to the business model, some delegates urged for major changes to the model, saying that they interpreted the report of the CRWG as opening the door for a discussion on discontinuing the rounds-based approach. They expressed that, in their view, discontinuing the rounds-based funding approach would help achieve other, related objectives such as increased predictability of funding, reduced transaction costs, and greater attention to country context and priorities. With a minor amendment, the decision point passed.

Decision Point GF/B23/DP11 (Business Model)

1. ***The Board finds that the Global Fund needs to re-examine its business model. It should move away from a one-size-fits-all approach to a differentiated and calibrated model that allocates oversight resources based upon the risks and resources associated with specific and diverse country contexts. Consistent with this approach, the Board adopts the following three broad principles to guide further development of the business model:***
 - i. ***The Global Fund should actively adapt its business model to place greater importance on disease and health impact and value for money.***
 - ii. ***The Global Fund should improve allocation of resources by adapting its funding modalities and grant management systems to better take into account: (1) performance record of the grant, Principal Recipient (PR), and country; (2) risk presented by the grant, PR, and country; and (3) relative size and role of the Global Fund in-country.***
 - iii. ***The Global Fund should measure the effectiveness of its business model, with particular regard to the health impact on the three diseases and transaction costs.***
2. ***In addition, the Board requests that the Secretariat strengthen two specific reforms to improve the business model, and report on its progress at the Twenty-Fourth Board Meeting:***
 - i. ***Identify ways to reinforce the application of performance-based funding, such as evaluating the current framework, increasing transparency, further developing methodology, and moving towards payment-for-service.***
 - ii. ***Further reinforce the tracking and enforcement of additionality, working with other bodies as appropriate.***

12. With regard to governance, there was agreement that addressing governance challenges is critical to the success of the Global Fund, and that this needs to include a greater focus of the Board on strategic, long-term issues, with the Secretariat empowered to deal with the management of the Fund. Some delegates expressed concern about the potential creation of an executive committee, saying that this could in the end lead to higher instead of lower transaction costs, as well as disadvantage implementers. Delegates therefore requested that the incoming Chair and Vice-Chair carefully consider the potential advantages and disadvantages of creating such a committee. After a minor error in the original wording of the decision point was corrected, the decision point passed.

Decision Point GF/B23/DP12 (Governance)

1. ***The Board recognizes that addressing governance challenges will enhance the impact and management of the Fund, enable the Board and Secretariat to effectively pursue the Plan for Comprehensive Reform (PCR), as set forth in the Report of the Comprehensive Working Group (CRWG Report, GF/B23/13), and facilitate the next Global Fund strategy.***
2. ***The Board requests that the incoming Chair and Vice-Chair, working with committees and Secretariat as appropriate, lead and oversee a process for governance reforms, as set out in Parts 5.14-5.17 of the***

CRWG Report (GF/B23/13). Reforms will be presented for Board approval at the Twenty-Fourth and Twenty-Fifth Board Meetings.

Agenda Item 9: Global Fund Strategy Framework 2012-2016

1. Board Chair Dr Tedros Adhanom Ghebreyesus reminded delegates that the Board began its dialogue on the Global Fund's new strategy at the Sofia Board Retreat (December 2010), which helped lay the foundations for developing a strategy to guide the Global Fund through the next 5 years. Since that time, under the leadership of the PSC, there has been further debate and input into the strategy development process. He noted that the current draft of the strategy framework was presented to the Board for acknowledgment and input and not, at this time, for approval, recognizing that further thinking and consultation need to take place between now and the next Board meeting. He called on delegates to set their sights high; be ambitious; build on the Global Fund's strengths while addressing weaknesses; recognize and respond to the emerging challenges in the global health landscape; and not forget that much remains to be done. He then invited PSC Chair Dr Suwit Wibulpolprasert and Vice-Chair Mr Todd Summers to present on behalf of the PSC the work undertaken to date on the new strategy.

2. In their presentation, Dr Wibulpolprasert and Mr Summers highlighted that at the Sofia Board Retreat, a decision was taken to produce a high-level, relatively short strategy, accompanied by a detailed implementation plan. They quickly went through the two goals and five strategic objectives of the draft strategy framework, noting that the targets in the draft were still in brackets because more consultation with partners will be required to agree on the targets. They emphasized that, while strategic initiatives are categorized under specific objectives, many of the initiatives actually speak to several or even all of the objectives; and clarified that over the next months, as the draft will be finalized, new, additional initiatives may still be added to the list. In this context, they expressed their support for an amended decision point introduced by the Point Seven delegation and presented by Ms Marijke Winroks, requesting the PSC leadership to appoint a Working Group of the PSC to work with the Secretariat to revise the draft Strategy Framework.

3. In discussion, delegates thanked the Secretariat and the PSC for their work on the draft Strategy Framework and expressed support for the draft, including the goals and objectives. Delegates agreed that the strategy needs to be ambitious, while at the same time being realistic. Some delegates, particularly from implementing countries, stated that they would like to see more ambitious goals and targets.

4. Delegates emphasized that the strategy needs to build on other strategies, both internal such as the gender and SOGI strategies and external, to ensure that it builds on and complements what partners are doing. A number of delegates noted the context in which the strategy is being developed – an exciting time in which the overall landscape of preventative and therapeutic tools is changing. They noted the importance of optimizing the Global Fund's business model, in order to ensure that resources flow to the right interventions for the right people at the right price, and to accelerate uptake of new technologies or interventions proven to have additional new benefits.

5. Delegates requested that more attention be devoted to gender issues and that the human rights and equity objective be further strengthened, acknowledging that there are substantial human rights barriers, including but not limited to stigma and discrimination, to access to services for the three diseases. They emphasized that, unless the Global Fund helps countries overcome these barriers, the overall goals in terms of lives saved and infections averted cannot be achieved.

6. Delegates requested greater attention to health system strengthening and/or to community systems strengthening. They noted that it would be important to look again at the Global Fund's guiding principles and, if necessary, to amend some of them if there is no longer full commitment to them. Delegates generally supported the establishment of a small PSC working group, as proposed in the revised decision point, and highlighted the importance of moving forward quickly while ensuring broad consultation and inclusive processes. The revised decision point passed.

Decision Point GF/B23/DP14

The Board:

1. ***Acknowledges the first draft of the high-level strategy document "A Strategy for the Global Fund 2012-2016" (GF/B23/15, Annex 1), which sets out the preliminary strategic direction of the Global Fund for the next five years;***
2. ***Requests the PSC leadership to appoint a Working Group of the PSC (the "Working Group") to work with the Secretariat, taking into account input from the Twenty-Third Board Meeting, to revise the draft Strategy Framework, prior to consultations with stakeholders, particularly at the Fourth Partnership Forum. The Working Group and Secretariat shall further improve this revised draft Strategy Framework following consultations;***
3. ***Asks the Partnership Forum Steering Committee to design an appropriate and efficient process to enable effective consultation on the draft Strategy Framework at the Fourth Partnership Forum;***
4. ***Asks the Working Group, working with the Secretariat, to ensure appropriate linkages between the action plan of the Board Comprehensive Reform Working Group and the initiatives outlined in the draft Strategy Framework and its Implementation Plan;***
5. ***Asks the Secretariat, working with the Working Group, to host additional necessary regional and technical fora to gather additional input on the draft Strategy Framework, as revised following the Twenty-Third Board Meeting; and***
6. ***Requests the Secretariat to submit the Strategy Framework, together with an implementation plan, through the PSC to the Twenty-Fourth Board Meeting for approval.***

The Board notes that the estimated budget impact of the Strategy development process in 2011 is approximately USD 950,000 for costs including technical and regional consultations, consultant fees and travel costs. The Board delegates the FAC to consider and approve this budget within the framework of the 2011 administrative budget review, which is scheduled for June 2011.

Agenda Item 10: Recommended Decision Points from the Policy and Strategy Committee

1. Since the joint PSC/PIC discussions on eligibility, counterpart financing and prioritization, as well as the discussions on the Global Fund Strategy had been dealt with in separate sessions, Dr Suwit Wibulpolprasert and Mr Todd Summers only presented five remaining issues: the term of the Market Dynamics and Commodities Ad Hoc Committee (MDC); the review of non-voting Board seats; providing opportunities for continuation of National Strategy Applications (NSAs); risk management oversight; and replenishment of members of the Technical Evaluation Reference Group (TERG).
2. With regard to the term of the MDC, the PSC had proposed that the mandate of the committee be extended until the close of the Board's last meeting in 2011. However, in light of the Board's decision to extend the membership and leadership terms of all the existing standing and ad hoc Board Committees until the appointment of the incoming Board Committee membership and leadership (Decision Point GF/B23/DP6), the PSC Chair and Vice-Chair suggested that a decision point specific to the MDC was no longer required.
3. With regard to the second governance-related matter, the review of non-voting Board seats the PSC Vice-Chair updated the Board that the PSC had decided to postpone a decision on this issue because the Comprehensive Reform Working Group (CRWG) is considering reforms to the overall Global Fund governance structure. In addition the PSC felt that the new Board leadership may wish to input into this discussion. It was therefore proposed that this review be postponed until the Board's last meeting in 2011, and the decision point be rolled into the CRWG overall governance review (Decision Point GF/B23/DP12). A decision point specific to this issue was therefore not presented.
4. With regard to risk management, the PSC Vice-Chair highlighted the lead role of the Board in overseeing corporate risk management at the Global Fund. In addition, the PSC envisaged that it should assume responsibility for cross-committee oversight of corporate risk management, as reflected in a decision point recommended to the Board. In light of the Board's decision to request that the incoming Board Chair and Vice-Chair, working with committees and the Secretariat as appropriate, lead and oversee a comprehensive process for governance reforms (Decision Point GF/B23/DP12).
5. With regard to the TERG, the PSC Chair and Vice-Chair thanked the Reference Group for the work carried out in 2010, stressing the importance of having a fully functioning TERG to contribute to and oversee quality monitoring and evaluation work and noting the importance this work has in ensuring the Global Fund's reputation is preserved. The Board was updated on the recruitment process to fill the four vacant TERG positions and presented with a list of four recommended new members. The decision point passed without discussion.

Decision Point GF/B23/DP15

The Board appoints Dr. Viroj Tangcharoensathien, Dr. Mickey Chopra, Dr. Atsuko Aoyama and Dr. Paulin Basinga as members of the Technical Evaluation Reference Group (TERG) for a period of three years until the end of the first Board meeting in 2014.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

6. With regard to providing opportunities for continuation of NSA funding, the PSC Vice-Chair explained that a decision point was required to address the immediate situation of the

three First Learning Wave grants of Madagascar and Rwanda which require extension funding to provide continuity until either Round 12 or the next NSA opportunity for these countries. This is needed because Round 11 and the concurrent NSA Second Wave are too early for these countries. The decision point passed without discussion.

Decision Point GF/B23/DP16

1. The Board:

- i. refers to its decision (GF/B18/DP20) to bring the National Strategy Applications (“NSA”) procedure into operation through a phased roll-out beginning with the First Learning Wave (“FLW”);**
 - ii. notes the specific challenges faced by certain FLW grants in relation to NSA funding continuation, particularly relating to the timing of the rounds-based process for proposal review and approval, which has posed planning difficulties and the possible prospect of significant funding gaps;**
 - iii. underscores the nature of the NSA procedure as a response to country requests for more streamlined funding mechanisms and as an expression of the Global Fund’s commitment to principles of alignment and harmonization embodied in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; and**
 - iv. reiterates the importance of ensuring that future NSA funding opportunities that may be approved by the Board take into account the lessons learned in the FLW.**
- 2. To provide a long-term solution to the challenges noted above, the Board requests the Policy and Strategy Committee to consider at its meeting in or around October 2011 options, which the Secretariat will develop, for allowing the submission of funding requests through the NSA and Health Systems Funding Platform (“HSFP”) modalities in an equitable fashion and at a time suited to country-specific national planning cycles.**
 - 3. Such discussions should be conducted in the context of the work on the new Global Fund Strategy 2012-2016 and, specifically, discussions to occur as part of this strategy on the future of Global Fund funding modalities and harmonization between them (including the rounds-based modality, NSAs, and the HSFP, in the context of the Global Fund’s new architecture).**
 - 4. In addition, as an interim and exceptional measure to address the specific challenges faced for the NSA FLW grants for Madagascar (malaria) and Rwanda (HIV and tuberculosis) in having timely and uninterrupted access to funding in a way that does not prejudice future Board decisions on funding modalities, and provided the country in question has not submitted a proposal to address the same disease component through Round 11, the Board decides as follows:**
 - i. To allow the Country Coordinating Mechanism of each of Madagascar and Rwanda to seek an extension with bridge funding (“FLW extension funding”) under the stipulations included in the Annex to this decision point, for a time-limited period such that the length of this extension period will not**

cause the combined lifespan of the original grant and the extension period to exceed five years, to provide continuity of funding until either:

- a. Round 12, or*
 - b. the next NSA funding opportunity made available to those countries by the Board, whether concurrent with Round 12 or not.*
- 5. To determine, no later than December 2011, in the context of its discussions on the future of Global Fund funding modalities, whether it will offer an NSA funding opportunity of the type described under 4 i.(b) above.*
 - 6. To authorize the Secretariat to make limited exceptions to existing policies and procedures to the extent necessary to implement this decision and within the parameters described in the Annex to this decision point.*

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Annex to GF/B23/DP16

- 1. The FLW extension funding in each case will have “Additional Commitments” priority, and the associated funds will be taken from those already included for the FLW grants of Madagascar and Rwanda in the forecast of Additional Commitments as described in Annex 2 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4.*
 - 2. The maximum total duration of the FLW extension funding in each case will be limited to the duration already forecast for the “Additional Commitments” funds as described in Table 1 of Annex 3 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4.*
 - 3. The maximum FLW extension funding amount will not be higher than the maximum annual extension amount, as per Table 1 of Annex 3 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4 multiplied by the duration of the extension measured in years.*
 - 4. The FLW extension funding will be subject to TRP review and Board approval.*
 - 5. The procedure to provide FLW extension funding will be as described in Annex 3 of the ‘Report of the Policy and Strategy Committee’ GF/B23/4.*
 - 6. All Global Fund policies and procedures, including rules relating to eligibility and cost-sharing, will apply to the FLW extension funding except as otherwise provided herein. The limited exceptions to existing policies and procedures granted in this decision in order to implement it include the timing and format of submission, and the TRP review procedure. Any exceptions needed beyond these will be notified to the Board for its consideration and approval.*
7. For information, Dr Wibulpolprasert provided an update on the PSC’s assessment of the year-end results achieved by the Global Fund against the 2010 Key Performance Indicators (KPIs), recognizing the strong performance on the majority of indicators and noting issues of performance in a few areas. He pointed out that the PSC requested the

Secretariat to carry out additional work on a number of KPIs. He briefly presented revisions to the KPI framework and indicators for 2011, noted that further revisions will be required after approval of the new Global Fund Strategy, and encouraged Board members to provide any suggestions on the future shaping of the KPI's, ensuring members that the PSC would take them into account as it further refines indicators.

Agenda Item 11: Recommended Decision Points from the Portfolio and Implementation Committee

1. Ms Michele Moloney-Kitts, the PIC Chair, sent apologies and regrets from Vice-Chair Ms Blandina S.J. Nyoni who was unable to attend. She then introduced the three items for Board decision.
2. With regard to the first item, the revised Country Coordinating Mechanism (CCM) Guidelines, Ms Moloney-Kitts reminded delegates that the PIC first presented revised guidelines to the Board for approval at the Twenty-Second Board Meeting. However, due to concerns raised by implementing constituencies, the Board did not adopt the revised guidelines at that time. Consequently, additional consultations with Board constituencies were undertaken to solicit further inputs and resolve outstanding concerns. She explained the changes in the document that were made to address the comments and issues raised during the additional consultations, including adding an executive summary; clarifying the role of government; the three-tiered approach (requirements, standards and recommendations); the concept of rotation of leadership including the flexibilities to adapt to country context; and ensuring consistency in the use of terms such as non-government and civil society. The decision point passed without discussion.

Decision Point GF/B23/DP17

1. The Board:

- i. approves the revised Guidelines and Requirements for Country Coordinating Mechanisms (“CCM Guidelines”) as set out in Annex 1 of GF/B23/05; and**
 - ii. authorizes the Secretariat to update, add or delete electronic links to reference documents within the CCM Guidelines periodically as necessary.**
- 2. The Board notes that the CCM Guidelines will inform the development of a performance framework to be used in the context of CCM funding. The CCM performance framework will be developed under the oversight of the Portfolio and Implementation Committee which will report to the Board on progress relating to the CCM performance framework no later than the Twenty-Fifth Board Meeting.**
- 3. The Board acknowledges that the ongoing review of CCM implementation of the requirements will require additional resources for the Secretariat. Similarly, Secretariat support for CCMs to meet standards for good governance will require additional resources in 2011 and beyond. For 2011, the resource requirements will be covered under extra-budgetary resources. For 2012 and beyond, the annual budgetary requirements will be subject to approval by the Board as part of the regular budgetary process under the oversight of the Finance and Audit Committee.**

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

3. In an intervention after the vote, Ms Aradhana Johry, speaking on behalf of the South East Asia constituency, clarified why her delegation had opposed the revised guidelines at the Twenty-Second Board Meeting, highlighting the crucial role of governments and the need to reinforce the principles of country context and country ownership. She added that her delegation still had some concerns, but that, in the spirit of compromise, it decided to endorse the guidelines. She noted the importance of the CCM performance framework that will be developed under the oversight of the PIC. She further suggested that, ultimately, the performance framework be approved by the Board. In response, both the Board Vice-Chair and Ms Moloney-Kitts supported these suggestions.

4. Ms Moloney-Kitts then presented the decision point related to the potential establishment of an emergency fund that could help address financing gaps for humanitarian-emergency affected populations which are highly vulnerable and under-represented in national disease planning and budgeting processes. Recognizing the special circumstances of populations affected by humanitarian emergencies in relation to the three diseases, the PIC proposed that the Board request the Secretariat to explore a pilot Global Fund humanitarian emergency response fund dedicated to providing quick and short-term financing for essential treatment and prevention needs in the event of a humanitarian emergency, if these cannot be rapidly funded from other sources. In discussion, however, several delegates expressed concerns about establishing yet another mechanism to provide funding, noting that even only exploring the possibility of such a mechanism would be a drain on Secretariat resources in such busy times. Because of lack of support, the decision point was withdrawn.

5. With regard to the third item, revisions to the TRP Terms of Reference (TOR), Ms Moloney-Kitts explained that they had last been amended at the Twenty-First Board Meeting in April 2010, but will require further revisions before Round 11 is launched, among other things to reflect the TRP's expanded role under the revised Policy on Eligibility, Counterpart Financing and Prioritization adopted at this Board Meeting. In order to avoid a two-step revision process of the TRP TOR, the PIC therefore requested that the Board delegate to the PIC the authority to approve necessary changes to the TOR. The Vice-Chair suggested that all Board delegations be given an opportunity to see the revised version before the PIC approves it, to make sure they all agree. Ms Moloney-Kitts agreed and assured delegates that an electronic consultation with the Board would be conducted. The decision point passed without further discussion.

Decision Point GF/B23/DP18

- 1. The Board delegates to the Portfolio and Implementation Committee the authority to update the Terms of Reference of the TRP to:**
 - i. reflect the Global Fund's Policy on Eligibility Criteria, Counterpart Financing Requirements, and Prioritization of Proposals for Funding from the Global Fund approved at the Twenty-Third Board Meeting.***
 - ii. incorporate value for money principles, clarify language for applicants and eliminate duplications in the review criteria for proposals (Attachment 1 of the Terms of Reference); and***
 - iii. adjust for recommendation categories as specified in the Periodic Reviews and Commitments Policy (Report of the PSC, GF/B20/4 Revision 2, Annex 2a) and other non-material items.***
- 2. The revised Terms of Reference will enter into force after the Portfolio and Implementation Committee's approval on or about 1 July 2011.**

3. *The Board requests the Portfolio and Implementation Committee to notify the Board of the approved version.*

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 12: Recommended Decision Points from the Ethics Committee

1. Mr Karlo Boras, Chair of the Ethics Committee, presented two decision points, concerning revisions to the Whistle-blowing Policies and revisions to the Declaration of Interest Form. In discussion, delegates strongly supported the new Whistle-blowing Policy and Procedures. The decision point passed.

Decision Point GF/B23/DP19

The Board decides to replace the Whistle-blowing Policy for the Secretariat and Governance Bodies of the Global Fund and the In-country Whistle-blowing Policy for the Global Fund (approved at the Thirteenth Board meeting) with the new Whistle-blowing Policy and Procedures as set forth in Annex 1 of the Report of the Ethics Committee (GF/B23/7).

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

2. Regarding the revisions to the declaration of interest form attached to the Ethics and Conflict of Interests Policy, Mr Boras explained that the Ethics Committee felt that the form needed to be radically overhauled in order to simplify it and make it more relevant to the information the Committee wants to review. In discussion, he clarified that the Ethics and Conflict of Interest Policy itself has not been changed, but that the Committee will soon discuss it and propose revisions, if necessary. The decision point passed.

Decision Point GF/B23/DP20

The Board decides to replace the Declaration of Interest form attached to the Policy on Ethics and Conflict of Interest for Global Fund Institutions (approved in October 2002 and amended by GF/B18/DP10) with a new Declaration of Interest form as set forth in Annex 2 of the Report of the Ethics Committee (GF/B23/7).

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 13: Recommended Decision Points from the Market Dynamics and Commodities Ad-hoc Committee

1. The Chair of the MDC, Mr Oliver Sabot, together with Vice-Chair Ms Shanelle Hall, made a brief presentation about the proposed market dynamics strategy, highlighting that it

can dramatically improve the health impact and value for money achieved from funding for health products. He noted that in its 18 months of work the MDC determined that there is limited opportunity for the Global Fund to increase the value for money realized from the passive approach it has adopted to date; and that it must actively shape markets to significantly improve the price, quality, and availability of products. He explained that the proposed market dynamics strategy uses ongoing analysis and classification of health product markets to design and implement flexible, time-limited strategic interventions for implementation together with partners. Grant recipients will have to provide a strong justification to “opt out” of strategic interventions such as procurement through a set channel, or selection of most cost-effective options. He highlighted that, through a set of interventions for ARVs, the Global Fund can potentially save up to USD 250 million over five years. He then briefly introduced the other aspects of the decision point, beyond approval of the strategy.

2. In discussion, delegates expressed strong support for the strategy and, more broadly, the work of the MDC. They highlighted the importance of collaboration with partners, including UNAIDS; of evaluating the strategy after a period of time; and of capacity-building at country level to build sustainable and efficient procurement systems. Some delegates commented about the potential effects of the free-trade agreements that are being negotiated by some countries, on price and availability of drugs.

3. In response, the Chair acknowledged that close collaboration with partners will be a high priority in implementing the strategy. He pointed out that the decision point includes a provision for evaluating the strategy, recognizing that this will be essential to assess what works and what does not and should be further strengthened. Finally, he noted that, by taking a very focused approach, limited to a small number of products, the strategy will minimally disrupt countries’ systems, particularly where they are already functioning well. In addition, efforts to strengthen those systems through capacity building services will continue. The decision point passed.

Decision Point GF/B23/DP21

Part 1 - Key principles of Market-Shaping Strategy

- 1. The Board acknowledges the critical role of the Global Fund in shaping markets to maximize global access to health products in accordance with the applicable Global Fund quality assurance requirements at affordable and sustainable prices and further emphasizes its desire for the Global Fund to more actively shape the markets for health products to optimize price, quality, design, and sustainable supply.***

Part 2 - Market-shaping strategy

- 2. The Board approves the market-shaping strategy of the Global Fund set out in Annex 1 to the Report of the Market Dynamics and Commodities Ad-hoc Committee (“MDC”) to the Board (GF/B23/9 Revision 1) (“Market-Shaping Strategy”). The Board requests the MDC to oversee the refinement and implementation of the Market-Shaping Strategy, including through relevant non-material changes to Annex 1.***

Part 3 –Market-shaping interventions for Anti-Retroviral medicines (ARVs)

- 3. The Board approves the strategic interventions for ARVs in accordance with the Market-Shaping Strategy (“Strategic Interventions”) as recommended by the MDC and described in Annex 1 to the MDC Report to the Board (GF/B23/9 Revision 1).***

4. ***The Board requests the Secretariat to implement the Market-Shaping Strategy and relevant Strategic Interventions under the oversight of the MDC. The Board requests that an implementation framework and appropriate policies and procedures be developed to effectively implement the Strategic Interventions with appropriate consultation. The Board requests the MDC to report back on progress at the Twenty-Fourth Board Meeting.***
5. ***Recognizing the risk of supply disruption to pediatric ARVs for certain Global Fund grant programs due to the phase-out of the UNITAID pediatric ARV program, as identified by the MDC and outlined in Table 1 of the MDC Report to the Board (GF/B23/9 Revision 1), the Board requests the Secretariat to prioritize the implementation of the Strategic Interventions set out in Section 5.2.2 of the Market-Shaping Strategy. Further, the Board requests the Secretariat, in consultation with UNITAID and other relevant partners, to facilitate the provision of support to principal recipients to sustain pediatric ARV treatment. The Board further requests the Secretariat to prioritize the execution of the appropriate policy and procedural changes to enable the Secretariat to use the Voluntary Pooled Procurement mechanism (“VPP”) to strategically manage demand for pediatric ARVs to ensure the consistent and timely availability of these products purchased through the VPP.***
6. ***The Board requests the Secretariat and MDC to provide an update on progress in refining and implementing the Market-Shaping Strategy and the Strategic Intervention for ARVs at the Twenty-Fourth Board Meeting. The Board also requests the MDC to oversee an independent evaluation of the strategy after an appropriate period of implementation.***

Part 4 – Budgetary Implications

7. ***The Board recognizes that implementation of the proposed Strategic Interventions for ARVs have budgetary implications for the Secretariat’s operating expenses budget starting in 2011 as described in Table 1 of the MDC Report to the Board (GF/B23/9 Revision 1). The estimated implications for 2011 amount to USD 350,000 for provision of market-shaping tools and implementation of Strategic Interventions, including 4 Full Time Equivalents (“FTEs”) starting on or about October 2011.***
8. ***The Board requests the Finance and Audit Committee (“FAC”) to consider and approve the budgetary implications of this Decision Point within the framework of the 2011 administrative budget review, which is scheduled for June 2011.***
9. ***The Board further requests the FAC to consider the budgetary implications of market-shaping strategies including the continued cost of the 4 FTEs for 2012 and later years as part of the regular budgeting cycle.***

Part 5 - MDC authority to approve implementation of subsequent Strategic Market Interventions

10. ***Recognizing the MDC’s technical competency, the Board authorizes the MDC to approve the implementation of other Strategic Interventions for health products procured using Global Fund financing, without***

requiring further approval or authorization from the Board, provided that such Strategic Interventions:

- a. will not increase the Operating Expenses Budget of the Global Fund beyond the matters referred to in Part 4 above;**
 - b. will not contravene, or require an amendment to, a Decision Point or policy approved by the Board; and**
 - c. are consistent with the principles set out in the Market-Shaping Strategy.**
- 11. The MDC shall notify the Board through the relevant MDC Reports to the Board of:**
- a. any subsequent Strategic Interventions approved by the MDC for implementation in accordance with this Decision Point; and**
 - a. the progress of the implementation of such Strategic Interventions, including the phase-out of Strategic Interventions in accordance with the Market-Shaping Strategy.**

Part 6 - MDC Authority Extends to Any Successor

The Board agrees that at its Twenty-Fourth Meeting it will request the Policy and Strategy Committee to recommend a course of action about the continuation of the MDC. Consequently, the Board determines that the authority and responsibilities conferred on the MDC in this Decision Point as applicable, shall apply with such necessary and consequential changes to any successor body or panel that may be approved by the Board to replace the role and responsibilities of the MDC in respect of this Decision Point.

4. The MDC Chair then briefly presented a second decision point, as a follow-up to past requests by the Board, to expedite transition to fixed-dose combinations of ACTs, which are strongly preferred by WHO to co-blistered ACTs. He explained that for those ACTs of which both presentations are on the market, the Global Fund would fund only fixed-dose combinations as soon as there are two finished products available meeting the requirement of the quality assurance policy for pharmaceutical products. He noted that the Secretariat evaluated current procurement of ACTs in ongoing grant-funded programs and found that the impact of this decision for countries would be minimal.

5. In discussion, Luis Riera Figueras from the European Commission constituency voiced his concern about the potential impact of the decision on local production. He then spoke briefly about the need to ensure that nothing in the free-trade agreements that are being negotiated can be used to restrict access to medicines. The decision point passed without further discussion.

Decision Point GF/B23/DP22

- 1. In accordance with Board Decision Point GF/B22/DP11, the Board notes that the Market Dynamics and Commodities Ad-hoc Committee (“MDC”), in line with WHO guidance, has presented recommendations to the Board regarding appropriate transition by recipients of Global Fund financing to the use of fixed-dose combinations (FDCs) of artemisinin-based combination therapies (ACTs).**

2. ***The Board determines that once the Secretariat has decided in its discretion that there are at least two FDC Finished Pharmaceutical Products of an ACT Formulation (“FDC ACT”) for the treatment of uncomplicated malaria that comply with the Global Fund Quality Assurance Policy for Pharmaceutical Products (as approved by the Board in accordance with Decision Point GF/B22/DP9) (“QA Policy”), and each FDC ACT is considered “available” as defined in Section 8 of the QA Policy,***
then,
 - a. ***the Global Fund shall notify Principal Recipients in writing and on the Global Fund website that it has made such a decision (the date of such notification being the “Notification Date”); and***
 - b. ***from 90 days after the Notification Date, Global Fund financing for that ACT formulation can only be used to procure FDCs of that ACT formulation.***
3. ***For recipients of Global Fund financing that have not procured FDC ACTs using Global Fund financing prior to the Notification Date, a grace period of up to one year to transition to FDC ACTs can be applied on a case-by-case basis, at the discretion of the Secretariat. The Secretariat, in collaboration with partners, will facilitate the provision of support to recipients of Global Fund financing to conduct an effective and timely transition to FDC ACTs where necessary and appropriate.***

This decision does not have material budgetary implications for the Operating Expense Budget.

Agenda Item 14: Report to the Board on Matters Related to the Office of the Inspector General

1. Mr John Parsons, Inspector General, presented an overview of OIG activities covering the November 2010 – March 2011 time period. He started with a preamble and some clarifications, noting in particular that in his view, the widely publicized Associated Press article of 23 January 2011 made broad and sweeping claims about the nature and extent of fraud and corruption in Global Fund financed programs and largely misrepresented the OIG results. He continued by saying that, rather than being lauded for its transparency, the Global Fund has been subject to criticism and given notice of possible disruptions in funding, while other similarly situated bilateral and multilateral organizations that also operate in high risk environments have escaped scrutiny. He concluded this first part of his report by cautioning the Global Fund against retreating from this transparency or from cutting back on the scope and depth of OIG investigations.
2. He then highlighted some key points from reports the OIG released recently or was about to release. He noted that the audit report on Global Fund programs in Rwanda was very much a good news story, highlighting some very impressive program results and best practices, including the creative use of health systems strengthening grants to strengthen critical areas in the health system.
3. Speaking about the report on Lessons Learned from seven Country Audits, he highlighted some of the problems identified in several of the audits, including inadequate procurement and supply management; lack of capacity by many Principal Recipients (PRs) to properly manage grant funds, prompting the OIG to make a suggestion that the Global

Fund may wish to re-consider whether it should retain its vision that it is just a financing institution, reliant upon national ownership; and the need to strengthen the performance of Local Fund Agents.

4. With regard to the final report on the investigation of the Tuberculosis and Malaria grants in the Republic of Mali, he noted that the OIG presented to the FAC for release its final report in redacted form so that the work of the investigating domestic judge is not compromised.

5. The Inspector General then spoke briefly about action taken to address the problem of drug thefts and referenced ongoing challenges in accessing complete audit reports from the United Nations Development Programme (UNDP) in countries where it is the PR or Sub-recipient for Global Fund grants.

6. Global Fund Executive Director Michel Kazatchkine objected to a statement in the OIG's Progress Report (GF/B23/10) saying that the "OIG has been hampered in its ability to report fully and completely to the Board", stressing that the Secretariat never has, and never will attempt to, restrict the Inspector General's ability to report freely and independently. He noted that such statements made by the Inspector General could be extremely damaging to the mission of the Global Fund.

7. Dr Debrework Zewdie, Deputy Executive Director, referred to the written response by the Secretariat to the OIG Progress Report (GF/B23/11) and to the paper "Results with Integrity" that describes in detail the Global Fund's forward-looking response to fraud. She stressed that the Global Fund is 100% transparent and has nothing to hide and that the Secretariat sees eye-to-eye with the Inspector General on transparency, on the Office's independence, and on the need to improve systems and processes to decrease fraud. She emphasized that zero tolerance to fraud should not be equated with zero tolerance to risk, noting that the Global Fund works in the most difficult settings, attempting to reach the most at risk populations with much needed services. She noted that the Fund is a learning organization that is constantly working to strengthen controls while at the same time respecting, and indeed attempting to enhance, country ownership. She appealed to delegates to jointly think about how the results achieved by the Global Fund, but also the challenges it encounters, including the instances of fraud, can be collectively, responsibly and transparently communicated to the public in a way that does not damage the Global Fund and the people needing its services.

8. Mr Peter Van Rooijen, Chair of the Finance and Audit Committee (FAC), noted that the FAC had a long discussion about the OIG Progress Report and that it felt that the way in which some of the information was presented in an updated Table of losses that the OIG intended to attach to his report was incorrect. As a result, the FAC communicated to the OIG that the original table of losses, as it had been presented to the FAC in March, should be included in any Board papers. He agreed with the Global Fund Executive Director that this in no way constituted an attempt to restrict the OIG's ability to fully report to the Board, and re-affirmed the Global Fund's commitment to the highest standards of transparency and accountability. He re-introduced decision point GF/B23/DP24, which passed after some discussion in which delegates expressed strong support for the decision point.

9. In discussion, Board delegates expressed full support for the work of the OIG and restated their commitment to full transparency and accountability, but expressed some reservations about the way in which the OIG works and releases the results of its work and called upon the Inspector General to hold his staff to the highest standards of professionalism. They shared the Executive Director's concern about inaccurate or at least highly questionable statements in the OIG Progress Report having reached the public, and emphasized the need to carefully consider the way in which OIG reports are released to the public. They emphasized the urgency of developing a comprehensive, long-term

communication plan. They suggested the plan provide guidance on how and when findings are communicated to the public, and ensure that the public hears not only about instances of fraud, but also about what the Global Fund has been doing to prevent fraud from occurring and what results it is achieving overall.

10. Delegates pointed out that so much has already been done over the last years, including at this meeting, to reduce risk and strengthen fiduciary systems, and expressed full support for the Deputy Executive Director's statement that ultimately zero tolerance for fraud should not be equated with zero tolerance for risk. Some delegates were concerned that in the current climate, the Secretariat and PRs are under so much pressure that they could become risk adverse. They emphasized that the Global Fund has achieved great results, in the most difficult settings, and that great care needs to be taken to ensure that measures to prevent fraud will not stifle implementation of programs on the ground and take away national ownership. In this context, some delegates expressed reservation about the suggestion in the OIG Progress Report that the Global Fund might wish to re-consider whether it should retain its vision that it is just a financing institution, reliant upon national ownership.

11. Delegates emphasized the importance of ensuring that there be a good, positive relationship between the OIG and the Secretariat and re-stated previous concerns about how audit and investigation findings are communicated to country partners and other stakeholders, emphasizing the need to ensure that countries have a way to respond when they believe that information in a report is incorrect, before the report is released.

12. Delegates noted that, while they remain concerned about the fact that the Global Fund's access to information held by UNDP is more limited compared to other PRs, UNDP has taken a number of steps to respond to the concerns. They agreed that this matter now requires engagement of the Global Fund Board with the UNDP Executive Board, recognizing that neither the Secretariat nor the OIG can directly negotiate with UNDP's Board.

13. The Inspector General thanked delegates for their interventions, noting in response that, while he agreed that UNDP had taken a number of positive steps to respond to his concerns, much greater access to information in UNDP's hands is critical for the OIG. Responding to the intervention of one delegate who had noted the importance of audits commissioned by Principal Recipients, Sub-Recipients and the Secretariat, he emphasized that the OIG should at least be given notice before any such action is taken, so that it can be engaged from the beginning. Finally, in response to a question by another delegate, he explained that in the view of the OIG it is critical that in countries under investigation, the Secretariat link further disbursements to a commitment by recipients and national authorities to cooperate with the OIG.

14. Before breaking for coffee, Mr Anders Nordstroem, delegate from Point 7, informed the Board that he and outgoing Board Member Dr Marijke Wijnroks would have to leave the meeting. He acknowledged the contribution that Dr Wijnroks made to the Global Fund Board, among many other things by insisting that the Global Fund take a rights-based approach to its work and by including the voices of young people on the Point 7 delegation. Dr Wijnroks thanked everyone for their warm wishes and said that she would miss the Global Fund and was committed to staying involved and to help the Global Fund and contribute to its mission.

Agenda Item 15: Recommended Decision Points from the Finance and Audit Committee

1. Mr Peter Van Rooijen, Chair, Finance and Audit Committee (FAC) presented several decision points from the FAC, including one on exceptional extension funding related to the timing of the approval of Round 11. The FAC Chair reminded delegates that certain countries face potential funding gaps as a result of the decision of the Board to approve Round 11 proposals at the first Board meeting of 2012, instead of at the last Board meeting in 2011. To mitigate the risk of disruption to program implementation, FAC agreed that an extension funding mechanism should be put in place. He explained that in the worst case scenario, the estimated cost related to continuity of all activities, not just life-saving treatment, would be approximately US\$ 200 million, but highlighted that the actual figure will likely be significantly lower. The decision point passed without discussion.

Decision Point GF/B23/DP25

1. ***Further to GF/B22/DP25 (“Measures Associated with Funding Proposals”), the Board notes the potential funding gaps faced by certain countries as a result of the decision of the Board to approve Round 11 proposals at the first Board meeting of 2012, instead of at the last Board meeting in 2011.***
2. ***To mitigate the potential adverse impact on service delivery, the Board approves Exceptional Extension Funding to grants that reach the end of their Phase-2 terms under the Rounds Based or the Rolling Continuation funding channels on the basis of the policy contained in the Report of the Finance and Audit Committee GF/B23/6 Annex 1.***
3. ***The Secretariat shall review Exceptional Extension Funding requests and provide a funding recommendation to the Board for approval under the “no objection” voting procedures set forth in Article 12 of the Board Operating Procedures.***
4. ***If incremental funding is not required because there are sufficient funds remaining under the Expiring Grant to cover the Exceptional Extension Funding, the Board authorizes the Secretariat to approve the Request, on the same conditions and subject to the same limitations set out in this policy.***

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

2. The FAC Chair explained again the reasons why the investigation report on Mali grants had to be redacted, as well as all the steps that had been undertaken to properly review the report. In discussion, delegates asked the Secretariat whether they anticipated that the release of the report would result in further negative press for the Global Fund. Jon Liden, Head of Communications at the Secretariat responded that it is always difficult to predict whether or not the media will cover a particular report. He added that he could not guarantee that there would not be negative press. However, he noted that, apart from the message from the Board Chair and Vice-Chair that will accompany the report, the Secretariat will provide additional information, highlighting what the Secretariat has already done to address the problems uncovered in the investigation, and to prevent them from re-occurring. The decision point passed.

Decision Point GF/B23/DP26

The Board approves the public release of the redacted version of the OIG Report of Investigation of Mali Malaria (Round 4 and 7) and Tuberculosis (Round 1 and 6) (“the Restricted Report”), as set out in GF-OIG-11-002, and authorizes the Inspector General to make the Restricted Report publicly available on the OIG website.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

3. Global Fund Executive Director Michel Kazatchkine asked the Board for guidance about what to do about the section in the OIG Progress Report that states that the OIG has been hampered in its ability to report fully and completely to the Board. He noted that this report would be available on the Global Fund website within three days after the end of the Board Meeting, and said that such a statement could cause harm to the Global Fund and incorrectly signal that the Global Fund is walking away from transparency, and thus diminish the value of the re-commitment to full transparency made at this Board meeting.

4. Mr Shaun Mellors, Alternate Board Member for the Communities constituency, introduced a motion proposing that, since all Board documents are working documents, either the Chair and the Vice-Chair of the Board or the Chair and the Vice-Chair of the FAC work with the Inspector General to finalize the report before it is released publicly, taking the concerns expressed at this meeting into account. Simon Bland, Board Member for the UK and Australia constituency, seconded the motion, emphasizing the importance of not sending out conflicting messages about the Global Fund’s commitment to transparency at this time. Some delegates however expressed concern that any change to the OIG Progress Report would come too late since the media already reported about the Report; and could be perceived as an attempt to censor the Inspector General. The FAC Chair suggested that, instead of changing the report, a note by the Chair and Vice-Chair accompany the report.

5. The Executive Director re-stated that he and the Secretariat are fully committed to transparency, and that he does not accept the statement in the OIG Progress Report that the OIG has been hampered by the Secretariat in its ability to report to the Board. He voiced again his concern that this statement would undermine the efforts to regain the trust of the public and the donor community in the Global Fund and its commitment to transparency and accountability. Mr Brian Brink, Board Member for the Private Sector delegation, cautioned the Board to try to change the OIG Progress Report, but emphasized that the Inspector General should have written his report more carefully, making sure that the Global Fund would never get into such a position in the first place.

6. In response, the Inspector General suggested that he exercise his own judgment about whether or not to make any changes to his report, but said that it would be inappropriate to tell him what to do. He said he would come back to the FAC Chair and Vice-Chair, who could then decide whether or not to accompany his report with a cover note. This proposal was acceptable to the Communities constituency which withdrew its motion.

7. Moving to the next decision point on the approval of the 2010 financial statements, the FAC Chair said that the Global Fund had received a clean audit opinion from Ernst & Young, free of any qualifications. He thanked all Secretariat staff that had contributed to this outcome.

Decision Point GF/B23/DP27

The Board approves the 2010 Financial Statements of the Global Fund which have been audited by Ernst & Young.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

8. On the issue of communication of losses and recoveries arising from OIG audits and investigations, the FAC Chair noted the importance of having clear, consistent and contextualized information regarding the status of losses identified from OIG audits and investigations, as well as the status of efforts to recover losses, which can then be made public. He was pleased to say that consensus on a way forward on this contentious issue had been achieved and an agreement reached according to which the Global Fund Secretariat and the OIG, under the oversight of FAC, will jointly publish before each regular scheduled meeting of the Board, a Losses & Recoveries Report. The FAC Chair further noted that guidance was needed on the issues surrounding the use of a denominator to serve as a communication tool regarding the scale and evolution of losses in Global Fund supported programs, and suggested that the High Level Independent Panel consider this issue and provide the guidance needed.

9. In discussion, delegates requested that the decision point be amended to specifically state that the High Level Independent Panel should provide guidance on the issues surrounding the use of a denominator. Delegates and the Global Fund Executive Director also requested some clarification about the relationship of the Losses & Recoveries Report to the broader “fully transparent information system and [...] effective communications strategy” that the Board requested the Secretariat to develop as part of the comprehensive reforms (Decision Point GF/B23/DP8). The FAC Chair explained that the Losses & Recoveries Report would not provide new information, but rather be a summary of what has already been communicated to the public. As such, the development of the transparent information system and effective communications strategy remains central to the Global Fund’s effort to appropriately address its communication challenges. It was noted that this strategy would also guide the way in which the OIG communicates in public reports and in his Progress Report to the Board. The FAC Chair added that, in addition, the High Level Review Panel is expected to come up with proposals for further improvements. Delegates emphasized the need to ensure that all these elements together will make sure that the Global Fund will communicate with one voice in the future. The decision point passed.

Decision Point GF/B23/DP28

As outlined in GF/B23/DP24, the Board reiterates its full commitment to transparency, and to the independence of the Office of the Inspector General within the Global Fund.

The Board recognizes the need to have clear, consistent and contextualized information regarding the status of losses identified from OIG audits and investigations, as well as the status of efforts to recover losses, which can then be made public.

Accordingly, the Board requests the Global Fund Secretariat and the OIG, under the oversight of FAC, to jointly publish before each regular scheduled meeting of the Board, a Losses & Recoveries Report (“Report”) containing background information and an updated table in the format outlined in Attachment 1 to GF/B23/6.

The Board requests the FAC to:

- **Oversee the process to create/update this report and table.**
- **Ensure requests for clarifications are addressed to their satisfaction.**
- **Report to the Board on their oversight of this process.**

The table shall only contain information on identified losses when:

- **The principle of country ownership has been respected by notifying the Country Coordinating Mechanism (CCM) and the entities involved, of the details of the losses claimed, where they have been provided with appropriate time to respond, and this response is incorporated by the OIG in the publicly available reports.**
- **The details of losses identified have been submitted to the Global Fund Secretariat and comments have been considered by the OIG.**
- **The Global Fund's Legal Counsel has made a determination that the Global Fund is entitled to make a claim for recovery against an entity based on the work of the OIG.**
- **These figures have been made public, i.e. the OIG has reported a number either through a specific public report or through the OIG Progress report to the Board which will also be made public, or the OIG has notified the FAC in writing.**

The usefulness of the application of the Losses & Recoveries Report for information sharing and communication will be reviewed by FAC before the second Global Fund Board meeting of 2012.

The Board requests that the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms consider and provide guidance on the issues surrounding the use of a denominator to serve as a communication tool regarding the scale and evolution of losses in Global Fund supported programs, as part of their interim report.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

10. The FAC Chair updated the Board on progress made in the collaboration with UNDP, noting that UNDP had taken a number of steps to respond to the Global Fund's concerns and that a number of Board members were involved in efforts to arrive to the best possible decision at the UNDP Board.

11. He also provided an update about a complaints procedure in cases of allegations of inappropriate behavior by OIG staff or consultants engaged in audits or investigations or by Secretariat staff in pursuit of their functions. The OIG and the Legal Unit have proposed a mediation procedure for recipients to voice substantive concerns or disagreements about the findings of OIG audits and investigations prior to full blown arbitration as provided in the grant agreement. The FAC Chair noted that the OIG and the Legal Unit were in the process of finalizing the proposed mediation procedure, and that the FAC would look at this again at its meeting in June.

Agenda Item 16: Forecast of Assets Available for Grant Approval

1. Mr Zubair Hassan, Chief Financial Officer, provided the Board with an update on the Forecast of Assets Available. In his introduction, the Vice-Chair of the Board noted that the presentation, while primarily for information only in this Board meeting, was important for setting the context of funding availability for Round 11.
2. Delegates expressed concern that the amount available for Round 11 could be much smaller than in previous Rounds, and suggested that the amount available be clearly communicated to countries so that they can base their decision about whether or not to apply, or to apply for new programs, on that estimate. They further noted that more sophisticated projections would be useful about what it would cost to continue existing programs, including estimates of which countries are, in fact, going to need funding from the Global Fund to continue their programs and which countries will not need to apply.
3. Mr Christoph Benn, Director of the Secretariat's External Relations and Partnership Cluster, acknowledged that it would be useful to provide countries with information about how much funding is likely going to be available and said that the Secretariat would aim for that, including undertaking the type of analysis delegates called for. He noted that by the time of the launch of Round 11, more information would be available, but admitted that in the current environment, the risks were higher than they were before, not only because of the overall financial environment, but also because of the fallout from the media reports about fraud in Global Fund grants. He thanked Nils Daulaire and the entire US delegation for their hard work to ensure appropriation of US\$1.05 billion in the 2011 US budget.

Agenda Item 17: Partnership Forum

1. The Vice-Chair asked the Vice Chair of the Partnership Forum Steering Committee, Mr Nils Daulaire, to take the floor to provide a brief update on the 2011 Partnership Forum planning. The Board had asked the Partnership Forum Steering Committee to design an appropriate and efficient process to enable effective consultation on the new Global Fund strategy at the Fourth Partnership Forum in Sao Paulo, Brazil, from 28 to 30 August 2011. Mr Daulaire highlighted that the Forum was indeed one of the important opportunities to obtain broad stakeholder input into finalization of the new Global Fund strategy, not only at the main event in Sao Paulo, but also through e-forum discussions that had already started.

Agenda Item 18: 2010 Annual Report

Without discussion, the decision point to approve the 2010 Annual Report passed.

Decision Point GF/B23/DP29

The Board approves the Annual Report as presented in GF/B23/16.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

Agenda Item 19: Report of the Trustee

1. Ms Priya Basu of The World Bank (Trustee for the Global Fund), provided highlights from the Trustee Report, including: from inception to the end of March 2011 the Trustee had signed contribution agreements with 58 donors and received contributions of US\$ 19.3 billion in cash and promissory notes, of which US\$ 2.7 billion were received in 2010 and another US\$ 610 million in the first three months of 2011; disbursements of over US\$ 3 billion in 2010, expected to increase to US\$ 3.3 billion in 2011; significant growth in transaction volumes; and total investment income passing the US\$ 1 billion mark in 2010, with investment income in 2010 alone totalling US\$ 148 million.

2. The Trustee noted that, despite market volatility and a challenging investment climate, positive, albeit low, returns continue to be posted due to a conservative capital preservation policy which has served the Global Fund well in the current economic climate. She further noted that the World Bank had just undertaken an investment strategy review and was asked by the FAC to revisit the issue of whether a small amount of equities should be included in the portfolio. By the end of 2011, the Trustee will present a number of options to the FAC. There was no discussion or decision point.

Agenda Item 20: Report from the Affordable Medicines Facility – malaria Ad-hoc Committee

1. Minister Leslie Ramsammy, joined by Dr Soji Adeyi from the Secretariat, presented an overview of progress in implementing the Affordable Medicines Facility-malaria (AMFm) Phase 1, highlighting that, while much work remains to be done in all AMFm Phase 1 countries, good progress has been made. They noted that the innovations in the AMFm are working, showing that in addition to the government and private not-for-profit sectors the commercial private sector is a viable channel for getting donor-financed ACTs to people in the countries. First-line buyers are placing orders, the AMFm is making co-payments, medicines are being delivered, and buyers are purchasing subsidized medicines at reduced prices at the retail level. They reported that, as of the end of 21 April 2011, the Secretariat had received 165 requests for co-payment totaling US\$ 117.4 million dollars. About 67 million treatments had been delivered. The majority of orders (97 percent) were for Fixed-Dose Combinations (FDCs).

2. Minister Ramsammy then reported on the evaluation activities that are being undertaken, following recommendations by the TERG and the Board and aimed at providing the Board with the information it needs to make a decision about whether the AMFm should be continued, expanded, modified, suspended or terminated. They acknowledged the role of the partners in the initiative under the leadership of Roll Back Malaria (RBM), in particular the Clinton Health Access Initiative, WHO, Medicines for

Malaria Venture, Program for Accessible Health, Communication and Education, Population Services International, and Malaria No More.

3. In discussion, delegates acknowledged that the information available to date was encouraging, but questioned whether the evaluation would ultimately provide the Board with enough information to make decisions about the future of the AMFm. The US delegation said they would provide additional comments in writing.

4. In response, Dr Adeyi said that the Secretariat was looking forward to receiving additional comments and would then respond in writing to all concerns, before the next meeting of the Board. He noted that the TERG is closely involved with the evaluation activities and emphasized that the aim of the evaluation activities is to test whether the AMFm works, by collecting enough evidence to demonstrate the potential of the instrument. There was no decision point.

Before moving to the last agenda item, the Chair invited a member of the Developing Country NGO delegation to read a statement on behalf of youth representatives on the delegations, calling upon the members of the Board to include young people in the processes around the High-level Meeting on HIV/AIDS in June 2011.

Agenda Item 21: Acknowledgments

1. Before closing the meeting, the Board Chair and Vice-Chair, joined by all Board members, thanked all the departing Board members for their commitment and hard work during their term as members: Joanne Carter, Board Member, Developed Country NGO; Lluís Riera Figueras, Board Member, European Commission; Minister Georges Moya, Board Member, Western and Central Africa; Minister Abdulkarim Yehia Rasae, Board Member, Eastern Mediterranean Region; Suwit Wibulpolprasert, Chair of the PSC; Todd Summers, Vice-Chair of the PSC; Peter Van Rooijen, Chair of the FAC; Michelle Moloney-Kitts, Chair of the PIC; Blandina S. J. Nyoni, Vice-Chair of the PIC; Karlo Boras, Board Member, Developing Country NGO and Chair of the Ethics Committee 2010-2011; Leslie Ramsammy, Chair of the AMFm Ad-hoc Committee; Kirsten Myhr, Vice-Chair of the AMFm Ad-hoc Committee; in addition to Marijke Wijnroks, Board Member, Point Seven and Vice-Chair of the Ethics Committee, who had been thanked earlier in the meeting.

2. Global Fund Executive Director Michel Kazatchkine thanked outgoing Board Chair Dr Tedros Adhanom Ghebreyesus and Vice-Chair Ernest Loevinsohn for their years of contribution to the Global Fund and in particular for their extraordinary commitment, leadership, patience and generosity.

3. Outgoing Board member Leslie Ramsammy added words of thanks on behalf of all delegates, and moved a motion to express the Board's deep appreciation to the outgoing Board Chair and Vice-Chair. The decision point passed.

Decision Point GF/B23/DP30

The Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria expresses its deep appreciation to Dr. Tedros Adhanom Ghebreyesus for his leadership as Chair of the Board. He has served the Global Fund with a high degree of commitment and passion. During his tenure, Dr. Ghebreyesus has guided the Board to address significant challenges and to make important decisions for the future of the Global Fund. He has led with commitment and determination the development of a comprehensive reform agenda, which will lead to a more efficient and effective Global Fund.

The Board also expresses its sincere gratitude to Dr. Ernest Loevinsohn who has served with distinction as Vice-Chair. He has been instrumental in managing difficult issues and has played a significant role in coordinating important initiatives spearheaded by the Board leadership.

This decision does not have material budgetary implications for the 2011 Operating Expenses Budget.

4. The outgoing Board Chair and Vice-Chair thanked everyone for the support they had received from their fellow Board members, the Executive Director, and the entire Secretariat, and said they will continue advocating for the Global Fund and help it in every way they could. The meeting adjourned.

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public until after the Board meeting.