

REPORT OF THE TWENTY-FOURTH BOARD MEETING

PURPOSE:

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

Accompanying documentation from the Twenty-Fourth 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 by Chair and Vice-Chair	2
Agenda Item 2: Approval of the Rapporteur	3
Approval of the Agenda	3
Approval of the Report of the Twenty-Second Board Meeting.....	3
Agenda Item 3: Presentation of the High Level Independent Panel on Fiduciary Controls and Oversight Mechanisms.....	5
Agenda Item 4: Board Member question and answer session on findings and recommendations.....	8
Agenda Item 5: Executive director high level comments on findings.....	11
Agenda Item 6: Inspector General high level comments on findings	11
Agenda Item 7: Board Executive Session.....	12
Agenda Item 8: Impact of High Level Panel Recommendations on Global Fund priorities and strategy in advance of the Twenty-Fifth Board Meeting.....	13
Agenda Item 9: Round 11 Call for Proposals.....	13
Agenda Item 10: Discussion and Decisions on Next Steps.....	14

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

1. The Twenty-Fourth Board Meeting opened with a candle-lighting ceremony that was led by the Communities delegation member Mr Shaun Mellors. The candle was lit as a symbol to remember all who passed away from AIDS, tuberculosis (TB) and malaria, in particular the countless people who passed away since the last Board Meeting. Mr Mellors remembered in particular Marcel Van Soest, activist, colleague and friend to many in the room. Mr Mellors remarked that the candle also represents life and hope and asked that it serve as a reminder that although the discussions and deliberations at this Board Meeting will be tough, they should include an understanding of the impact these decisions will have on the future of the Global Fund.

2. Board Chair Mr Simon Bland welcomed the Board to the Twenty-Fourth Board Meeting and remarked that that this special meeting is a very important and condensed meeting. He thanked the Board members for changing their plans to make themselves available. He asked the Board members to join him in offering warm wishes and best hopes for Martin Dinham, the former Board Chair. He noted that in Mr Dinham's short time he made a strong impression on the Board and Mr Dinham has appreciated the warmth and support he has received since stepping down. Mr Bland thanked the Board for its support in the weeks since he took over the Board Chair position on an interim basis and thanked Her Excellency Minister Mphu Ramatlapeng for her energy, commitment and support as the Board Vice-Chair.

3. Board Vice-Chair H.E. Minister Mphu Ramatlapeng thanked the Chair for serving as the interim Board Chair. She also thanked all Board members for their commitment and the High Level Independent Panel members for attending at the Board Meeting and remarked that this would be a challenging Board Meeting and appreciated that many Board members would be participating for the first time in discussions on governance reform and the Global fund next strategy.

4. The Board Chair noted a number of changes in the Board composition. Mr Bland welcomed new Board members from several constituency groups. Mr Bland welcomed new Board member and alternate Board member for Eastern Southern African Constituency, Minister of Health from Comoros, Moinafouraha Ahmed and Minister of Health from Eritrea, Amina Nurhusein. He welcomed Mr Kristian Schmidt from the European Commission, Mr Shaun Mellors from the Communities of People living with HIV/AIDS, Dr Reinhard Tittel-Gronefeld from Germany, Mr Alvaro Bermejo from the Developed Country NGO, Dr Martin Green representing Point Seven, Dr Cheik Tidiane Tall representing the Developing Country NGO and Mr Carlton Evans representing the United Kingdom and Australia. Mr Bland also welcomed the High Level Independent Panel Co-Chairs, His Excellency Festus Mogae, former President of Botswana, and the Honorable Michael Leavitt, former Secretary of Health and Human Services of the United States.

5. The Board Chair thanked the members of the High Level Independent Panel and their support staff for their hard work in delivering the report of the High Level Panel and for their cooperation over the previous weeks in preparation for this Board Meeting. Mr Bland reminded the Board that the High Level Panel was commissioned six months ago and noted that although the Board had only received the report one week earlier, the commitment of the Board to review and consider the recommendations was very strong. Mr Bland noted that these recommendations do not represent simple change or reform but a “transformation” of the Global Fund. He stressed that the Board would need to end its Meeting with a firm Decision Point that could hopefully be reached through consensus. Mr Bland expressed that it was his personal hope that the Decision Point be a clear, decisive and meaningful message to the world that the organization is going to change and that change would begin today.

**Agenda Item 2: Approval of the Rapporteur
Approval of the Agenda**

1. The Board Chair informed the Board that His Excellency Patrice Debre’, representing France constituency, was designated as rapporteur for the Twenty-Fourth Board Meeting. The Decision Point was approved without discussion.
2. The Board Chair presented the agenda, with one amendment, to discuss Round 11. The agenda was approved without discussion.
3. The Board Chair informed the Board that the Report of the Twenty-Third Board Meeting would not be approved at this meeting. The Report of the Twenty-Third Board Meeting will be approved as routine business at the Twenty-Fifth Board Meeting. This was accepted without discussion.

Decision Point GF/B24/DP1:

His Excellency Ambassador Patrice Debre’ from France’s constituency is designated as rapporteur for the Twenty-Fourth Board Meeting.

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

Decision Point GF/B24/DP2:

The agenda for the Twenty-Fourth Board Meeting (GF/B24/1 Revision 1), as amended to discuss the current funding position is approved.

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

Agenda Item 3: Presentation of the High Level Independent Panel on Fiduciary Controls and Oversight Mechanisms

1. President Mogae began the High Level Independent Panel presentation by thanking the Board, Executive Director and Inspector General for the opportunity to present the report. He noted that the panel came with recommendations which it believes should help the Global Fund continue its work more effectively in the difficult times ahead. He continued that the High Level Panel made their recommendations to reinforce the ongoing reform the Global Fund had already initiated. President Mogae commented that the Global Fund is operating in a less-than-friendly financial climate but that the Global Fund is an institution on which many millions rely. He concluded that the High Level Panel was very much impressed by the high regard in which the work of the Global Fund is held.

2. Governor Leavitt continued the Panel presentation by recognizing that the Global Fund was formed at a time when a great emergency prevailed in the epidemics of AIDS, tuberculosis and malaria. The Global Fund was born not just of noble purpose, but to save lives using a new and innovative multilateral approach focused on principles of country ownership and performance. As the High Level Panel moved from country to country across the globe in its review, it found evidence that the Global Fund had made a significant difference in the fight against the epidemics. The High Level Panel also observed that the reports of the Global Fund's Office of the Inspector General have become crucial to the Global Fund's approach to its grants, and that outside stakeholders rely on them to assess the performance of the institution.

3. Governor Leavitt continued by stating that despite the tremendous gains made to date, substantial changes in the world of global health had taken place since the creation of the Global Fund ten years ago. The Co-Chairs remarked, "We are meeting in a context of three global forces coming together: innovation, austerity and accountability. The Global Fund has never been needed more, but it has also never been questioned as much as it has this year." Governor Leavitt reiterated that this meeting represented a catalytic point for the institution, and that the Report's title, *Turning the Page from Emergency to Sustainability*, summarized the fundamental message of their Report, that the most critical priority for the Global Fund is its successful transition from emergency response to a sustainable one.

4. Governor Leavitt presented the panel's comprehensive set of recommendations, starting with the Global Fund applying a "doctrine of risk" to its country interactions. Rather than taking away the ability of the Global Fund to provide financing to countries in the most complex of circumstances, a "doctrine of risk" approach would reinforce that ability through a risk-aware framework for action. He noted the importance of redefining "country ownership" as a critical element of the new doctrine of risk, to be applied across the entire portfolio of grants.

5. The High Level Panel recommended that the Board streamline its application processes, and empower senior and middle management at the Secretariat by delegating authority to those most informed about country settings to be making grant management decisions within more appropriate decision-making parameters. This approach will in turn allow the Board to focus on risk, strategy and more effective performance management of the Board's two direct reports

– the Executive Director and the Inspector General. He also recommended a shift in focus when reporting programmatic results and the need for emphasis to be on outcomes and health impact, rather than on inputs. He also emphasized the need to focus performance evaluation on value and quality indicators rather than on quantity and volume.

6. Governor Leavitt expanded on the recommendation to turn the page from an emergency to sustainable response. In the early days of the Global Fund, the work was responding to an emergency model which carried expected inherent limitations. He continued that there should never be a blind eye turned to fraud and that lack of proper documentation is never acceptable. However in the early years there were imperfections. At this stage the Global Fund should turn the page and focus its resources on the areas for improvement. He acknowledged that there have at times been tensions between the Executive Director and the Inspector General. He stated that the High Level Panel recommended that the Office of Inspector General and the Secretariat strengthen the relationship.

7. Mr Gabriel Jaramillo, a member of the High Level Panel, elaborated more details regarding the panel recommendations and the need to develop a new risk management framework at two levels: corporate risk management and operational risk management. He stated that there should be an emphasis on operational risk, but that the High Level Panel suggests five categories under which risk may be stratified: strategic, reputational, operational, compliance and counter party risk.

8. Mr Jaramillo continued by discussing the principle of country ownership and how it impacts the level of risk the Global Fund should take. The High Level Panel prepared a risk matrix that allowed it to separate higher-risk environments from less risky environments. He stated that the risk matrix can be a starting place for the Global Fund to develop a more sophisticated tool. The recommended Audit Committee should be part of the risk management system. The Global Fund should adopt a system where unless the Global Fund is satisfied that a recipient is acceptable, it should not negotiate a grant. The areas of procurement and supply chain management systems are the most risky for the institution and is the area where the Global Fund should in particular mitigate and manage risk.

9. The Honorable Barry O’Keefe member of the High Level Panel, emphasized that the Global Fund is at a watershed moment and it is a time for decision of whether or change. A failure to do so would lead to a loss of donor’s support and that progress made on treatment and prevention would be greatly impacted. He explained that Recommendation three deals with three matters: the Board, the committees and the executive staff.

10. He explained that the three committees proposed in the report will be the subject of some change in name. The Strategy Investment Committee will change its name to the Strategy, Investment and Impact Committee and the Audit Committee will change its name to include the concept of ethics. The Finance Committee will become the Finance and Operational Performance Committee. These committees should be comprised of a combination of donors and implementers and chaired by the Chair and Vice-Chair of this Board. He noted that the

High Level Panel took longer on the issue of committee structure than it did on any other single matter and that if not approved, most of the reforms suggested in the report will not succeed. The Honorable Barry O'Keefe further elaborated the establishment of a small executive staff provided for the Board, which should be independent from the Secretariat.

11. Mr Claude Rubinowicz presented additional detail on Recommendations Four and Five. The first recommendation concerned changing the grant approval system in two stages. This would allow the grants approved and signed to be more relevant to the actual situation in country at the time of disbursement. The current system has at times resulted in two years passing between proposal submission and the first disbursement. These recommendations also intended to alert the Board earlier about potential risks and to allow financing targeted to address capacity weaknesses.

12. He described the recommendation to allocate the Global Fund's human resources to focus more intensely on grant management, including increasing the ratio of country program officers and other staff that work directly on grants. This included allocating staff resources according to a risk burden matrix. He explained that the authority of Fund Portfolio Managers should be expanded to allow flexibility to make adjustments to grants. This also includes recommendation that Fund Portfolio Managers, Program Officers and Program Assistants collectively spend on average fifty per cent of their time in the country for the grants they manage. The Executive Management Team should be reformed to become the primary decision-making body within the Secretariat and the major decision-making body in terms of the grants. Finally, Mr Rubinowicz recommended that the Global Fund should have better and more efficient use of the Local Fund Agents by allocating resources based on the risk burden matrix and ensuring that the various audit bodies working with implementers should communicate and better collaborate with each other.

13. President Mogae presented additional detail on the final recommendation regarding the move to measure outcomes rather than inputs. He stated that during the first years, it was logical that the focus was on disbursing as much as possible and therefore the measurement of inputs was important. However, he noted it is now more important to ensure decisions are made on outcomes based on reliable data. The High Level Panel recommended that the Global Fund pay for baseline surveys for incidence and prevalence of the three diseases at country level. The expansion of data quality including the use of new technologies, such as mobile phone data tracking and management systems, should be explored. He also recommended that the Secretariat implement an electronic solution for maintaining, archiving and retrieving grant management records.

14. President Mogae stated that the Global Fund should emphasize measurements around quality and value rather than quantity. He concluded by emphasizing that each of the recommendations made by the High Level Panel were mutually supportive of each other. He also noted that the High Level Panel recommended that the Global Fund should integrate the recommendations from the High Level Panel with the comprehensive reform agenda and the

new strategy under development. He further recommended that the Global Fund undertake an external review of the implementation of the transformation in twelve months.

15. Governor Leavitt concluded the presentation by the High Level Panel by thanking the support team for their work and in particular to Dr Bill Steiger and Charlie Johnson. Governor Leavitt closed his remarks by noting that the panel members would welcome questions from the Board.

Agenda Item 4: Board Member question and answer session on findings and recommendations

1. The question and answer session between the Board and the Panel allowed the Board to more thoroughly consider the Panel's recommendations and discuss in detail some of the key recommendations and decide on a course of action. Panel members were present during the Board deliberations and were able to provide advice to the Board as it considered adopting the recommendations.

2. Board members asked the panel several questions regarding implementation of the recommendations. Board members probed the Panel for further detail on the Panel's view regarding what needed to be de-prioritized to implement the recommendations. Board members queried if the current operational budget would be sufficient to implement the recommendations and asked for further detail on how the Global Fund could implement the recommendations without disrupting the day-to-day activities of grant management. Board members also requested clarity on the hierarchy between the High Level Panel recommendations, the Comprehensive Reform Agenda and the new Global Fund Strategy under development.

3. The Panel responded to these questions by clarifying that recapture of funds and reallocation of existing resources should be sufficient to fund the cost of the recommendations. Regarding de-prioritized activities, the Panel noted that the recommendations focus a shift towards the field, not necessarily a recommendation on areas to de-prioritize. Regarding the hierarchy between the recommendations, the Comprehensive Reform Agenda and the new strategy, the Panel stated support for and recognized the need for a five-year strategy and that the comprehensive reform process should be integrated into the High Level Panel recommendations. The Panel further clarified that unless there is a change in the governance process, the Panel doubts that implementation of the other recommendations would be successful.

4. Regarding the governance recommendations, the Board members requested further elaboration on several issues. They requested clarity around the role of the Executive Staff for the Board and queried whether this added a layer to the model or streamlined the governance. Further clarity on the role of partners in the committee structure was also requested. Additional information was also requested on how ongoing governance reform was taken into

consideration in the governance recommendations. Board members also requested further clarity regarding the role of the recommended Investment Committee.

5. The Panel noted that a substantial amount of change takes place on the Board on a routine basis. The Panel believed there is a requirement for the Board to have independent information and that this function would be filled by the Executive Staff, which the Panel also noted could only be one or two staff members.

6. Regarding the role of partners in the committees, the Panel noted that it expected that every member of the Board would serve on a committee. The Panel did not deliberate on the specific role of the partners and would expect that decision to be made by the Board.

7. Regarding the governance reforms already underway, the Panel noted that based on its understanding of those reforms, approximately 85% of the Panel recommendations are compatible with the governance reforms. Regarding the role of the Investment Committee, the Panel noted that it deliberated for a significant amount of time on the committee structure. The Panel recommendations create a structure where difficult decisions can be made by the Board while at the same time maintaining the spirit of collaboration that has existed within the Board structure. The recommendations conclude the Panel's view on the best way to create a checks-and-balance system within the governance structure.

Board members requested additional information on the recommendations related to reference pricing and the impact some recommendations could have on the Global Fund's aid effectiveness performance. The Board also recognized the context in which the Global Fund continued to operate was one in which many partners emphasize alignment and harmonization in their work, and the avoidance of setting up parallel systems if possible.

8. Board members requested guidance on how to balance risk management and country ownership in the context of the recommendations to adopt a doctrine of risk. They sought clarity on whether the principle of country ownership needed to be revisited or rather that the application of the principle of country ownership be reviewed. Board members also requested clarity on whether these recommendations could limit the involvement of civil society organizations and how risk management can be strengthened at the country level among Principal Recipients, Sub-Recipients and the Country Coordinating Mechanisms. Board members also queried why there was no recommendation to establish an internal audit function within the Secretariat.

9. The Panel confirmed that the principle of country ownership needed to be sustained, but that to date the principle had been applied in a way that treated every country the same. The Panel noted that country ownership cannot be construed as an entitlement by any country to have a grant, but that it should be an earned opportunity that is given in proportion to the capacity of the country to handle it. The Panel further elaborated that country ownership must both be interpreted differently and implemented differently than it is now.

10. The Panel clarified that the risk management approach it recommends is meant to allow the Global Fund to continue operating in risky environments, not limit its investments in those environments. The Panel further noted that the Global Fund should focus on capacity building in countries where there is limited capacity to exercise country ownership. Regarding country-level risk management, the Panel noted that it was their belief that every high-risk environment should aspire to become a low-risk environment. This would require investing in country-level mechanisms to strengthen full country ownership.

11. The Panel added further that it found that the six layers of review that are in place for grants create a situation where multiple uncoordinated entities conduct audits. The establishment of the Audit Committee is designed to increase coordination of existing audit bodies rather than creating an additional audit function.

12. Governor Leavitt and President Mogae made concluding remarks at the end of the question and answer session. Governor Leavitt remarked that the High Level Panel had the opportunity to meet with members of congresses and parliaments and legislative bodies and administrations and ministries throughout the review. For right or for wrong, the Global Fund finds itself in a very difficult position. The combination of austerity in the world, the new economic reality, and the discussion around the Office of Inspector General has made the Global Fund very vulnerable. He again noted that the discussions at this meeting were a catalytic moment in the history of the Institution. He noted that there is a risk that without decisive action the world would begin to turn donations either to other organisations or to other domestic causes. Governor Leavitt reiterated the desire of the High Level Panel to see the Global Fund go from a state of emergency to a vital and sustainable channel for resources for global health.

13. President Mogae reiterated his assurance, especially to the implementer bloc, that he acknowledged many of their concerns and reservations and that he also shared those concerns. He noted that he personally was convinced on a number of the recommendations made because it was important to convince the donors that the Global Fund continues to be a viable channel for assistance for the fight against the three diseases. He stressed that the Global Fund should not give donors any excuse that there are weaknesses in the Global Fund that might cause them to provide assistance through other channels.

14. President Mogae elaborated that regarding the question of risk, quite often the greatest risk coexists with the greatest need in terms of the disease burden. The recommendations were crafted in a way to ensure that resources will be made available in risky situations and that the resources will reach the intended beneficiaries in these regions. He also posited that the Board may have to consider whether upper-middle-income countries currently eligible for funding should continue to be eligible for resources in the light of the foreseen budgetary constraints that the Global Fund is likely to face in the future.

15. The Board Chair concluded the session by thanking the High Level Panel members for taking the time for a full presentation and for allowing Board members the opportunity to ask questions and receive very helpful responses. The Chair thanked the Board members for asking

direct, thoughtful, probing questions and noted that this session provided much more detail for a thorough discussion on a way forward in the afternoon session.

Agenda Item 5: Executive Director high level comments on findings

1. In his address to the Board, the Executive Director strongly welcomed the High Level Panel's Report and committed to implement related decisions by the Board as the highest corporate priority for the Secretariat. He noted that while the report provided strong independent validation of reforms currently underway within the Secretariat, the Panel's recommendations move the Global Fund far beyond these changes to an agenda for transformation. He also welcomed the considerable synergies between the panel's recommendations and the 2012-2016 Strategy for the Global Fund.

2. The Executive Director spoke directly to the Report's recommendation that his relationship with the Inspector General was not optimal, and agreed that there must be a turning of the page, fully accepting his responsibility to overcome differences of approach with the Inspector General and emphasizing their common desire to achieve significant progress in this area in a matter of weeks.

3. The Executive Director noted that the report was balanced and fair in that it recognized the major contribution made by the Global Fund to the fight against the three diseases while also describing some of the harsh realities that the Global Fund faces in an era of economic constraints and tightened accountability. He noted that the report identified critical weaknesses in Global Fund systems that must be rapidly addressed. He also acknowledged that the Global Fund had paid insufficient attention to risk differentiation and management and that the system of fiduciary controls was not robust enough. He strongly supported the panel's finding that the Global Fund's business model needed to be updated in a number of ways to increase impact and value for money from the Fund's investments. He committed to focusing the Secretariat more strongly on grant management and working to increase confidence in the Executive Management Team.

4. The Executive Director expressed his belief that change is necessary and his strong commitment to implementing the report's recommendations. He stated that the Secretariat is prepared to act on the report and that he wished to be held accountable. He welcomed the Panel's recommendation that the Global Fund's first priority should be to bring together three work streams - the panel's recommendations, the reform agenda and the draft strategy- into a single consolidated plan for transforming the Global Fund. In closing, the Executive Director noted that the work of the panel had injected an important element of urgency into efforts to equip the Global Fund for a second decade of success.

Agenda Item 6: Inspector General high level comments on findings

1. In his address to the Board, the Inspector General strongly welcomed the Panel's report, with particular focus on the recommendations that were specifically directed towards the OIG. The Inspector General expressed his intention to act swiftly on the recommendations, noting that in the time that the Panel had been working, a number of actions that had already been taken by the OIG that were fully in line with the Report's findings and recommendations. The Inspector General in particular welcomed the recommendation for the establishment of a new Audit Committee of the Board to oversee the work of the OIG.

2. The Inspector General welcomed the conclusion that the depth of the OIG's work is "remarkable" and noted that the OIG's findings are critical to maintaining the credibility of the Global Fund with its donors. Noting the conclusion in the report regarding the relationship with the Executive Director, the Inspector General expressed firm commitment to work with the Executive Director to transform the nature and culture of the relationship into a partnership that helps to strengthen the Global Fund. He also stated that he had stressed to all staff in the Office of the Inspector General that it is essential that they demonstrate a commitment to a more open, collaborative and trusting relationship with their counterparts in the Secretariat.

3. The Inspector General noted that his office is already developing a code of conduct for all OIG team members, staff and contractors alike. This will be made contractually binding so that if there is a transgression there will be appropriate action, most likely the immediate termination of the contract. The Inspector General explained that in the near future, he intended to ask auditees to give feedback on the way audit fieldwork was conducted to the Audit and Ethics Committee or to an independent monitor and to invite the monitor to come along to a sample of cases of their choice at the end of the audit fieldwork to get feedback from auditees first hand. He noted that he intends to establish the same process for investigators, but recognized that those that are the subject of investigations are heavily conflicted in providing objective feedback.

4. The Inspector General welcomed the Panel's call for the relationship with the United Nations Development Program (UNDP) to be redefined to permit greater accountability to and access by the Global Fund. He commented that the Panel's analysis will help the Global Fund move this forward, particularly the observation that Privileges and Immunities should not be used by UNDP to hold back on access. He firmly committed to moving forward with a detailed Memorandum of Agreement with UNDP so that joint investigations could be undertaken with the necessary exchange of confidential information and appropriate access to UNDP's internal documents.

5. In closing, the Inspector General reiterated his commitment to take swift action to build appropriate relationships within the Secretariat as well as with partners that are subject to the OIG's work, while at the same time continuing to provide thorough oversight and requisite levels of assurance to the Board. He also committed to refine a number of working processes whilst at the same time continuing to deliver high quality outputs which the Panel recognized and commended.

Agenda Item 7: Board Executive Session

1. The Board met in a closed, Executive Session following the high level comments from the Executive Director and the Inspector General

Agenda Item 8: Impact of High Level Panel Recommendations on Global Fund priorities and strategy in advance of the Twenty-Fifth Board Meeting

1. The Board Vice-Chair invited the Chairs and Vice Chairs of each of the committees to provide brief overviews of what, if any, aspects of the committees' workplans were impacted by the recommendations of the High Level Panel. The PSC leadership provided an overview of the on-going development of the Global Fund Strategy 2012-2016, which was also informed by the recommendations of the Comprehensive Reform Working Group. He stressed that many aspects of the High Level Panel's recommendations, such as a two-step application process, targeted investments, leveraging Global Fund financing, tighter fiduciary controls and strengthened partnerships, coincided with the emerging agreement on the strategy.

2. The Portfolio and Implementation Committee leadership noted that the Committee has actively addressed issues identified by the High level Panel, including the effectiveness of the Local Fund Agents -- and their role in risk management – as well as operationalizing the Board's decisions on Value for Money.

3. The Chair of the Finance and Audit Committee presented the areas where the recommendations in Annex S of the High Level Panel report and the agenda for the Finance and Audit Committee were complementary. He confirmed that the High Level Panel's goals (one through six, nine and ten under Recommendation One) would be actively taken up by the Finance and Audit Committee and its Sub-Committee on Office of the Inspector General matters. With respect to the Panel's recommendations on governance, he identified areas of the Committee's work that could be taken over by the proposed Audit and Ethics and Finance and Operational Performance Committees.

4. The Chair of the Ethics Committee noted that an Ethics and Reputational Risk Assessment has been recommended for adoption to define a clear set of values by the Executive Management Team and the Board. He also updated the Board on compliance with the Ethics and Conflict of Interest declarations required of relevant Secretariat staff and Board members. He also raised questions that the Board should consider under the proposed new governance structure including issues around confidentiality working with independent committee members proposed in the Audit and Ethics Committee.

Agenda Item 9: Round 11 Call for Proposals

1. The Board Chair referenced a pre-Board briefing provided to delegates the day before on resource scenarios for Round 11. In light of the information provided, he invited the Chair of the Finance and Audit Committee to present options on how to address resource shortfalls for Board consideration.

2. The Chair of the Finance and Audit Committee recapped of the pre-briefing, noting that resource forecast for Round 11 decreased due to several factors since the last report to the Board at its Twenty Third Meeting in May 2011. It would be likely that in order to identify additional resources for Round 11, the Board would need to consider options for reducing renewals of Rounds 8 and 9 grants in the next twelve to eighteen months by targeting investments. He presented a draft Decision for discussion that acknowledged the revised resource forecast, considered options for an iterative process for Round 11 which would introduce a process of dialogue about submissions between the TRP and applicants, a possible delay in the closing date for the Round and suggested the appointment of a group to work on further options in time for the Twenty-Fifth Board Meeting in November 2011.

3. In response, Board members raised concerns notably about the implications for countries if the Round 11 deadline was delayed, how a revised application process could be introduced at this late stage if countries had already begun to work on their applications since launch of the Round in August 2011 and the reputational risks in this approach. They noted that the Board required more information on the impact and implications of these proposals before reaching a decision. Several Board members noted the urgency of communicating any change in the Round 11 modalities and timelines. A small, informal group of Board delegates was formed at the request of the Chair to work on a decision that could be reviewed by the Board later in the session. In establishing this group, the Board acknowledged that while longer term measures could be taken at its meeting in November 2011, some mitigating action had to be taken now in light of the emerging information on resource available for Round 11.

Agenda Item 10: Discussion and Decisions on Next Steps

1. The Board Chair introduced the decision point on the Board's adoption of recommendations emanating from the final report of the High Level Panel. The Board's decisions were framed by the High Level Panel's messages that their recommendations formed a package that would, to the best of their knowledge, introduce the changes needed to transform the organization and prepare it to enter its next phase. The decision point had been drafted and circulated by the Board leadership among Board members during the previous day.

2. The Board Chair noted that the High Level Panel report identified a twelve-month window for implementing its recommended changes. He explained that earlier drafts of the Decision Point included language around an eighteen-month turnaround time, but noted that this level of specificity was not included in the Decision Point. Board members discussed the timeline and noted that the Secretariat should identify by November 2011 items that are prioritized and urgent and also identify change that may take longer to implement. One Board member stressed that while the implementation plan needed to be costed, the net result should result in "zero growth" for the operational budget.

3. The Board Chair noted that a coordinating group of Board members will be made responsible for monitoring, tracking and reporting on progress back to the Board. He explained that recommendations regarding voluntary pooled procurement and storage and distribution of drugs, while critical, should be addressed a later time as agreed with the High Level Panel. Board members also flagged concerns about reference prices of health products; the language was revised to reflect that different reference prices could be applied according to the the region and/or country.

4. The Board Chair opened discussion on Recommendation Three regarding the governance structure of the Global Fund. He outlined that the existing four Standing Committees would be replaced by three Standing Committees with substantially different terms of reference and membership. The proposed configuration of the committees as proposed by the High Level Panel would be as follows: i) Strategy, Investment and Impact Committee with ten voting members, five from the donor bloc and five from the implementer bloc, with a chair from the donor bloc; ii) Audit and Ethics Committee with seven members, including four independent members, one of whom will be the Chair; and iii) Finance and Operational Performance Committee, with ten voting members, five from the implementer bloc and five from the donor bloc with a chair from the implementer bloc. A Coordinating Group was also proposed, as per the emerging agreement from the board-leadership-led process of governance reform that has been ongoing since June 2011.

5. While there was general agreement with the mandates of the committees, Board members expressed concerns around how the membership may impact the fine balance between the donor and implementing blocs. This concern was raised because of the recommendation to assign a “casting vote” . Extensive debate took place. There was also discussion on the inclusion of the Executive Director and the Inspector General in the Coordinating Group and the role of the Coordinating Group. The Board Vice-Chair noted that consultations on the governance reforms indicated that the Executive Director and Inspector General, along with others like the Chair of the Technical Review Panel, would be invited as needed.

6. After further consideration and debate, the Board agreed on a solution regarding structure, composition and the tie-breaking vote. The Board also agreed a solution on the composition of the Coordinating Group. The Decision Point was approved.

Decision Point GF/B24/DP3:

- 1. The Board thanks the High-Level Independent Review Panel (HLP) and its support team for their hard work in delivering to the Board the report titled “Turning the Page from Emergency to Sustainability” dated 19 September 2011 (the “HLP Report”).**
- 2. The Board adopts the HLP Report and accepts the underlying analysis, noting that it presents a compelling case for a rapid and urgent**

transformation of the Global Fund. The HLP acknowledges the achievements of the Global Fund over the past decade, and the importance of ensuring its success.

3. The Board acknowledges that the Global Fund has significant weaknesses of fiduciary control and financial oversight, as identified in the HLP Report, and the Board is determined to take the necessary corrective actions to address these weaknesses. The Board takes note that the Executive Director and the Inspector General also agree with the HLP Report findings.
4. The Board recognizes that implementation of the HLP's recommendations will require a detailed implementation plan, and that this should be informed by best-practice and draw on available experience.
5. To take forward the recommendations of the HLP, the Board decides to execute the following action plan immediately:
 - 5.1 Consistent with Recommendation 6.3 of the HLP Report ("Consolidate the Reform Agenda") the Board Chair and Vice-Chair, with the Secretariat and the Office of the Inspector General (OIG), will develop a single, time-bound and costed Consolidated Transformation Plan which integrates other reform work streams currently underway with recommendations by the HLP into one single plan, which will include prioritized action items, deliverables, timelines, and parties responsible for the delivery of each item in a logical, coherent, manageable, efficient and timely manner;
 - 5.2A draft of the Consolidated Transformation Plan will be circulated to the full Board for comment by 31 October 2011, and a final draft will be transmitted to the Board by 10 November 2011 for formal adoption at the Twenty-Fifth Board Meeting; and
 - 5.3The Coordinating Group (see Paragraph 6.3.1.2 below) will be responsible for monitoring, tracking and reporting to the Board on progress of this Consolidated Transformation Plan until all action items are completed.
6. Acknowledging that they will be important components of the Consolidated Transformation Plan that will be approved in November 2011, the Board decides that the following key actions shall commence immediately, with status reports or decision points, as appropriate, being presented at the Twenty-Fifth Board Meeting:
 - 6.1The Secretariat and OIG will commence implementation of Recommendation 1 of the HLP Report ("Turn the Page from Emergency to Sustainable Response"), in close consultation with the Board Chair, Vice-Chair and Finance and Audit Committee (FAC);
 - 6.2The Board, Secretariat and OIG will commence implementation of Recommendation 2 of the HLP Report ("Define a Doctrine of Risk and Manage to It"), except Recommendations 2.3.iii.a-b of the HLP Report. The Board will give further consideration to Recommendations 2.3.iii.a-

b of the HLP Report, taking into account the clarification provided by the HLP during the Twenty-Fourth Board Meeting;

6.3 The Board Chair and Vice-Chair, as part of their leadership of the Governance Reform process, will integrate Recommendation 3 of the HLP Report (“Strengthen Internal Governance”) into the Board Governance Plan they will finalize. To accelerate implementation of the Governance Reform process the Board:

6.3.1 Adopts Recommendation 3 of the HLP Report (“Strengthen Internal Governance”) with the following modifications to commence from 1 December 2011:

6.3.1.1 The existing four standing committees will be replaced by three standing committees titled and composed as follows:

(i). Strategy, Investment and Impact: ten voting members, five from the donor bloc and five from the implementer bloc, with a chair from the donor bloc;

(ii). Finance and Operational Performance: ten voting members, five from the implementer bloc and five from the donor bloc with a chair from the implementer bloc; and

(iii). Audit and Ethics – seven members, with four independent members, one of whom will be the Chair;

6.3.1.2 There will be a Coordinating Group comprised of Board and committee chairs and vice-chairs;

6.3.1.3 The Board leadership will have a casting vote on two of the committees, as follows:

(i). For the Strategy, Investment and Impact Committee, the Chair of the Board will have a casting vote; and

(ii). For the Finance and Operational Performance Committee, the Vice Chair of the Board will have a casting vote;

6.3.1.4 The terms of reference of the three committees will include the duties as recommended by the HLP Report and will be further developed under the leadership of the Board Chair and Vice-Chair. Ethics-related matters will be included in the terms of reference of the Audit and Ethics Committee; and

6.3.1.5 To optimize their performance, the committees can include ex-officio members of the Board and will have the ability to delegate operational matters to the Secretariat.

6.3.2 Requests the Chair and Vice-Chair to seek nominations from Board constituencies for the three Board Member seats of the Audit and Ethics Committee, and to identify three appropriately qualified persons as member-designates. The Board further

requests the three member-designates to commence an open and transparent process to identify the four independent members of that committee, for recommendation to the Board for approval at the Twenty-Fifth Board meeting.

6.4 The Policy and Strategy Committee (PSC) and its Strategy Development Working Group will include Recommendation 4 of the HLP Report (“Institute a New Grant-Approval Process”) into the five-year Strategy that will be finalized and submitted to the Board for approval at the Twenty-Fifth Board Meeting; and

6.5 The Secretariat, in close and regular consultation with the Chair and Vice-Chair of the Board, FAC, PSC and OIG, will implement Recommendation 5 of the HLP Report (“Empower Middle-Management’s Decision-Making”) and Recommendations 6.1 and 6.2 of the HLP Report (“Measure Outcomes, Not Inputs” and “Focus on Quality and Value, Rather Than Quantity” respectively), and provide a progress report to the Board at the Twenty-Fifth Board Meeting.

7. In implementing these actions and recommendations, the Board expects the Global Fund Secretariat to pursue the overall objectives of aid-effectiveness,¹ to stabilize staff levels and to avoid any increase in general administrative overheads without the prior approval of the Board.

Agenda Item 11: Wrap-Up and Conclusions

1. The Board Chair invited the small group of Board members to present the Decision Point regarding the Round 11 Proposals. The Decision Point was presented to the Board. There was consensus from the Board on the Decision Point and it was passed.

2. The Board Chair and Vice-Chair thanked the members of the High Level Panel, the Secretariat, Board delegations and interpreters for their support and hard work. The meeting adjourned.

Decision Point GF/B24/DP4:

1. The Board recognizes uncertainties in relation to the expected funding envelope for Round 11, the Second Wave of NSAs and HSFP applications and notes that it has been revised downward to a current estimate of not more than US\$0.8 billion, which may not be available until the fourth quarter of 2013.

2. The Board and the Secretariat will examine options for modification of the application, renewal and approval processes for new and existing investments in light of these resource constraints, the recommendations of the High Level Panel and the Global Fund’s strategy and reform processes. The Board will communicate the results of those deliberations no later than 1 December 2011. These deliberations will also consider options for

reallocation of existing commitments to prioritize high-impact interventions, which could increase resources available for new investments.

- 3. As a result of the expected delay in availability of resources, the Board extends the application deadline for Round 11, the Second Wave of NSAs and HSFP applications until at least 1 March 2012.**

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

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.