

**FINANCE AND OPERATIONAL PERFORMANCE COMMITTEE
DECISIONS AND RECOMMENDATIONS TO THE BOARD**

PURPOSE:

1. This report serves to inform the Board about the decisions taken by the Finance and Operational Performance Committee (FOPC) since the November 2012 Board Meeting in accordance with its charter.

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.

PART 1: INTRODUCTION

1.1 This report presents to the Board the decisions taken by the Finance and Operational performance Committee (FOPC) since the Twenty-Eight Board Meeting in November 2012 in accordance with its charter¹. It also provides a list of issues that the FOPC addressed.

1.2 The FOPC convened twice. The 6th FOPC Meeting took place via teleconference on Thursday 24 January 2013. The Committee met in person at its 7th Meeting from Thursday 2 – Friday 3 May 2013. In both meetings Viorel Soltan and John Monahan served as Chair and Vice-Chair of the Committee respectively.

1.3 This report is divided as follows:

Part 2: Decisions taken by the FOPC pursuant to its delegated authority

- i. Confirmation of Uncommitted Assets available for the Transition to the full implementation of the New Funding Model (NFM) during 2013-2014.

Part 3: Matters addressed by the FOPC as part of its oversight and advisory functions in accordance with its charter.

Part 4: Decisions recommended to the Board under separate cover.

PART 2: DECISIONS TAKEN BY THE FOPC PURSUANT TO ITS DELEGATED AUTHORITY

Item 1: Uncommitted Assets Available for the Transition to the New Funding Model

2.1 At the 6th FOPC Meeting on 24 January 2013, the Committee discussed the amount of Uncommitted Assets available for the “Transition” to the full implementation of the New Funding Model as approved by the Board at its Twenty-Eighth Meeting (GF/B28/DP5) in November 2012.

2.2 The Secretariat presented the analysis conducted to estimate the amount of Uncommitted Assets available for the Transition (GF/FOPCo6/o2B-Revision 1), and confirmed that the Strategy, Investment and Impact Committee (SIIC) had already deliberated on the Secretariat’s proposals for implementing the Transition as set forth in (GF/SIICo6/o3).

2.3 On 20 February 2013 the FOPC decided that, in accordance with the Board’s decision to launch the Transition and the outcomes of the SIIC’s deliberation on its implementation, US\$ 1.9billion of available uncommitted assets would be allocated for the Transition.

¹ The FOPC Charter and other core governance documents are available at the following link:
<http://www.theglobalfund.org/en/about/structures/board/>

GF/FOPCo6/DP01: Uncommitted Assets Available for the Transition to the Full Implementation of the New Funding Model

1. The Finance and Operational Performance Committee (the “FOPC”) acknowledges the Board’s decision to launch a transition to the full implementation of the new funding model (GF/B28/DP5) (the “Transition”) and the outcomes of the Strategy, Investment and Impact Committee’s deliberation (GF/SIICo6/03) on implementing the Transition.

2. Based on the Secretariat’s analysis of the uncommitted assets projected to become available in 2013 and 2014 (GF/FOPCo6/02A-B, Revision 1), the FOPC decides up to US\$ 1.9 billion shall be available for financial commitment for all Board approved purposes during the 2013 – 2014 period including support for disease programs and countries as part of the Transition to the NFM.

3. The Secretariat shall communicate regularly with donors on the level of and timing of contributions and provide the FOPC with regular updates regarding the implementation of the Transition.

4. Accordingly, the FOPC requests the Secretariat to provide quarterly updates to the forecast of uncommitted assets and cash liquidity. Based on such updates, or as otherwise necessary due to subsequent Board decisions, the FOPC may address potential modifications, including upward or downward adjustments, of this decision.

Part 3: MATTERS ADDRESSED BY FOPC AS PART OF ITS OVERSIGHT AND ADVISORY FUNCTIONS IN ACCORDANCE WITH ITS CHARTER.

3.1 Since the Board Meeting in November 2012 the FOPC deliberated and received updates from the Secretariat on the following issues:

Financial Oversight:

- i. Comprehensive overview of the 2012 Financial Accounts including Consolidated Financial Statements, pledges and contributions, grant financials and operational expenditures. Introduction of the new Financial Report as a tool to facilitate the oversight functions of the FOPC;
- ii. The first 2013 forecast (“F1”) and update about the transition to the NFM including: grants; review of asset and liability position; assumptions and scenarios; and cash liquidity test;
- iii. Latest analysis conducted by the Secretariat about the framework of the Global Fund’s “Ethical Liability” and projections of potential costs over the 2015-2020 period; and
- iv. The Secretariat’s initiative to review the current engagement and work of the Local Fund Agents including cost proposals for 2013.

Resource Mobilization Strategies:

- i. FOPC assessment of the Secretariat’s recommendations to review the Replenishment Mechanism (GF/FOPCo6/03).

Operational and Performance Oversight:

- i. Proposed Key Performance Indicators (KPI) framework for FOPC input. This agenda item was part of each committee discussion, including at the SIIC and AEC, to enable

appropriate cross-cutting review. The Board will receive a proposed KPI framework from the Coordinating Group for approval at its Twenty Ninth Meeting.

- ii. Overview of the new Procurement teams, policies and strategy to leverage Global Fund's procurement and sourcing activities.

Risk Oversight

- i. Update on the different components and activities around risk management conducted by the Secretariat up to Q1 2013, including the Corporate Risk Register and progress made on the Operational Risk Management Framework. This agenda item was also part of SIIC and AEC agendas to enable cross-cutting review as per committee charters.

Corporate Administrative Policies and Activities of the Secretariat

- i. FOPC Chair and Vice Chair's proposal on an honoraria framework for leaders of the Board and its Committees and Advisory Bodies;
- ii. Update on the status of human resources activities as well as matters related to the staff Provident Fund.

PART 4: DECISIONS RECOMMENDED TO THE BOARD

No Decisions were recommended to the Board since the Twenty-Eight Board Meeting.