

Thirty-Second Board Meeting

The Global Fund and Market Shaping: Current Status and Way Forward

**THE GLOBAL FUND AND MARKET DYNAMICS:
CURRENT STATUS AND WAY FORWARD****Purpose:**

1. This paper presents the Board with the joint recommendation of the Finance and Operational Performance Committee (the “FOPC”) and the Strategy, Investment and Impact Committee (the “SIIC”) on the dissolution of the Market Dynamics Advisory Group (the “MDAG”), and the delineation of responsibilities for the oversight and monitoring of market dynamics matters between the FOPC and SIIC.
2. A decision point approving these recommended governance arrangements has been included for the Board to consider.

EXECUTIVE SUMMARY

- 1 During the 12th meeting of the Strategy, Investment and Impact Committee (the “SIIC”) in Geneva on 25-26 June 2014, a task team established by the committee at its 11th meeting put forward an approach to market-shaping activities and oversight for committee discussion. The task team was comprised of two current committee members from the USA and France constituencies, and a previous SIIC member (now an FOPC member) from the Private Foundations constituency. The options presented by the task team to the SIIC resulted in a decision to recommend the dissolution of the Market Dynamics Advisory Group (the “MDAG”) and the establishment of an alternative mechanism for market-dynamics oversight going forward under the joint responsibility of the SIIC and the FOPC¹.
- 2 Under this new arrangement, as a result of dissolving the MDAG, the SIIC will be responsible for overseeing strategic considerations with respect to market dynamics matters and the FOPC will be responsible for overseeing finance and operational matters with respect to sourcing and procurement initiatives. Following deliberations at the 13th SIIC Meeting in October 2014 and the 13th FOPC Meeting in November 2014, both committees endorsed the joint recommendation to the Board that is presented in this paper. The SIIC and FOPC consider market dynamics activities as a critical area that will benefit from improved strategic and operational coherence through collaborative, inter-committee governance and collective strategic management by the Secretariat. The process of replacing the MDAG with this joint oversight mechanism is intended to increase Board attention to market dynamics issues.
- 3 In addition to setting out the rationale for dissolving the MDAG and placing market-dynamics oversight with the SIIC and FOPC, this paper presents additional background information on the Global Fund’s strategy and approach to market-dynamics. This background information illustrates the type of issues and initiatives that the committees will address under the proposed governance arrangements for overseeing and monitoring market-dynamics matters.

BACKGROUND

Global Fund Market Shaping Strategy

- 4 At its Twenty-Third Meeting in May 2011, the Board approved a Market Shaping Strategy² which recommended that the Global Fund play a greater role in market shaping of the health products purchased through grant programs that it finances. The Market Shaping Strategy was developed by the Board’s Market Dynamics and Commodities Ad-hoc Committee (the “MDC”) following consultation with technical experts and partners, other major financiers, civil society, and representatives of recipient countries. The current Market Shaping Strategy outlines four key objectives:
 - a. Accelerate the introduction and maturation of new, more cost-effective products;
 - b. Ensure recipients procure the most cost-effective, WHO-recommended health products or regimens that meet the Global Fund quality assurance policies;
 - c. Strengthen countries’ capacity to implement strategic procurement practices; and

¹ SIIC Decision Point GF/SIIC12/DP03

² Annex 1 to GF/B23/09 – Revision 1, as approved under Board decision point GF/B23/DP21.

- d. Ensure the continued availability, affordability, and innovation of products through multiple approaches, including for those for which there are not currently sustainable market conditions.

Market Dynamics Advisory Group

- 5 In November 2011, the “Governance Reform Initiative”³, submitted by the then Chair and Vice-Chair of the Board was approved by the Board. Under the governance structure subsequently adopted by the Board, the MDC was replaced by a new body, the Market Dynamics Advisory Group (the “MDAG”), and reference to the MDAG was included in the amended and restated Global Fund By-Laws. The purpose of the MDAG was to advise the Global Fund on policies and initiatives to improve the Global Fund’s ability to shape markets of key health products to optimize price, quality, design, and sustainable supply. It was also intended to facilitate Board visibility into and monitoring/oversight of market-shaping strategy development and implementation. The MDAG was comprised of technical experts in market dynamics and procurement and reported to the Board through the SIIC.
- 6 As described in the Terms of Reference for the MDAG, the MDAG was tasked to:
 - a. Make recommendations to the SIIC on market-shaping interventions for quality-assured health products to optimize value for money and impact;
 - b. Promote and support coordination with partner organizations to ensure comprehensive and current analyses of markets for global health products relevant to the Global Fund;
 - c. Provide guidance on the effectiveness and impact of the Global Fund’s market-related interventions, including those approved by the Board as part of the Market Shaping Strategy and the pooled procurement and price reporting mechanisms; and
 - d. Advise the SIIC and the Secretariat on actions pertaining to other market-related issues.

Global Fund Sourcing Transformation

- 7 Throughout this period, in order to better implement the Market Shaping Strategy and help the Global Fund deliver on its 2012-2016 Strategy, the Secretariat has been transforming its approach to sourcing and procurement through the Procurement 4 Impact (the “P4i”) initiative⁴. Specifically, the Secretariat has established a Sourcing Department led by the Global Fund’s first Chief Procurement Officer, dedicated to fundamentally changing the way the Global Fund works across the supply chain to increase access to all products it finances. Key changes include:
 - a. Earlier involvement and closer collaboration with manufacturers, with less reliance on procurement agents;
 - b. Improved purchasing capability and modernized contracting models, with long term agreements and guaranteed volumes to achieve optimized supply and greater value;

³ “Governance Reform Initiative” (GF/B25/5), available at <http://www.theglobalfund.org/en/board/meetings/twentyfifth/documents/>

⁴ P4i – <http://www.theglobalfund.org/en/p4i/>

- c. Strategic engagement along the length of the international supply chain to reduce cost and improve quality and efficiency; and
- d. Better planning and scheduling to support continuity of supply.

DISCUSSION

Committee Discussions

- 8 In 2013, the SIIC requested a review of the efficiency and effectiveness of MDAG by the Global Fund Office of the Inspector General (the “OIG”), which found several areas where the MDAG was not performing optimally. The main issues identified by the OIG Review of MDAG related to alignment with internal capacity, confusion around its mandate (e.g., advisory or oversight), membership matters, support and discharge of advisory functions.
- 9 Discussions during the 10th SIIC Meeting focused on whether to continue the MDAG in its then-current form, or another. A task team comprised of a subset of committee members was asked to prepare a roadmap for the MDAG for discussion at the SIIC meeting prior to the Thirty-First Board Meeting in March 2014. Though preliminary discussions occurred at the 11th SIIC meeting in March 2014, recommendations and more detailed analysis were deferred until the next scheduled SIIC meeting, at which point new members would inherit the issues for discussion. Further discussion ensued at the 12th SIIC Meeting in June 2014, where the task team submitted recommendations on the oversight of market-dynamics matters. The discussions resulted in the SIIC unanimously agreeing to recommend that the Board dissolve the MDAG and place the oversight and monitoring responsibilities for market-dynamics with the SIIC and FOPC⁵.
- 10 At its 12th Meeting in September 2014, the FOPC discussed the underlying principles of the SIIC’s recommendation, and while no formal decision had been tabled or approved, there was agreement among members about the need to proactively address the governance around critical market-dynamics issues such as updating the Market Shaping Strategy and reviewing sourcing and procurement initiatives that carry financial and operational impact. The FOPC opted to await further clarity anticipated to come out of the next SIIC meeting.
- 11 At its 13th Meeting in October 2014, the SIIC received a briefing on recent strategic review meetings conducted by the Secretariat’s Sourcing Department, in collaboration with partners. Viewed as a forum to develop and consolidate relevant information at the implementation level, the Secretariat described how such processes would be held to identify the issues and recommendations to raise to the committees and Board to develop policies or other strategies.
- 12 As such, it demonstrated one of the mechanisms that will be available going forward to help the committees and the Board to gain greater awareness of market-dynamics matters through the lens of how sourcing and procurement operations are being executed, as well as the market information collated by partners.
- 13 These discussions then led into how the strategic policy, financial, and operational aspects of market-dynamics matters could be monitored by the two committees. Accordingly, the

⁵ SIIC Decision Point GF/SIIC12/DP03.

SIIC confirmed its previous decision and agreed to recommend to the Board in November 2014 that:⁶

- a. MDAG should cease once the Board agrees with the SIIC's recommendation.
- b. Other advisory groups will not be created to fill or succeed MDAG's role.
- c. The SIIC and FOPC will share oversight and monitoring responsibilities with respect to market-dynamics matters.
- d. The SIIC will be responsible for guiding and overseeing the development and updating of strategic policies, such as the Market Shaping Strategy, for Board adoption.
- e. The FOPC will be responsible for overseeing the implementation of strategic policies, including the financial and operational aspects of sourcing and procurement initiatives.
- f. SIIC and FOPC will coordinate to develop the ways the committees will work to meet their respective responsibilities.

14 A paper capturing these agreed principles and recommendations was prepared and presented to the SIIC after the close of its meeting and to the FOPC for discussion at its 13th Meeting in November 2014. Discussions acknowledged the important role of the Secretariat, in collaboration with relevant partners, to develop proposals and initiatives that would be reviewed by the committees. Each committee will exercise the responsibilities outlined in their amended charters, as set forth in Annexes 2 and 3 to this paper, based on the nature of such proposals and initiatives, including their relation to and compliance with existing policies and frameworks approved by the Board. Accordingly, both committees agreed to jointly issue the recommendation to the Board.

Market Dynamics Advice

15 In addition to the increased in-house capacity for analytics and systems for robust market analysis and supplier engagement, the Secretariat has put in place several mechanisms to solicit guidance from relevant experts, coordinate with other donors, and share updates with partners to implement procurement and market-shaping activities:

- a. **Strengthened partnership with UNITAID:** In June 2014, UNITAID and the Global Fund signed a collaboration agreement around a market-shaping agenda to maximize the value for money from each organization's investments. Three priority areas for engagement have been identified: (i) strategic cooperation in market shaping and access interventions; (ii) strategic cooperation in sharing market intelligence; and (iii) measuring market and public health impact. This agreement builds on the already strong collaboration between the two organizations, and ensures that Global Fund procurement and market-shaping activities are informed by and aligned with UNITAID interventions. The formal partnership will smooth project transitions between the two organizations, facilitating quick scale-up of improved medicines and diagnostics and increased access for underserved populations.
- b. **Global Fund and PEPFAR collaboration:** Collectively, the Global Fund and the US President's Emergency Plan for AIDS Relief (PEPFAR) procure over US\$1 billion

⁶ SIIC decision point GF/SIIC13/DP04.

of anti-retroviral (ARV) medicines annually. Therefore, the Global Fund has formalized its collaboration with PEPFAR in order to support a healthy ARV market and greater supply security, achieve best pricing, and enable implementation and scale-up of recommended regimens to avoid treatment disruption. In practice, this means sharing and strengthening market intelligence, especially supply-side information; providing greater demand-side visibility to manufacturers; providing coordinated messages and information to manufacturers, partners, and countries; and developing aligned procurement strategies. This increased collaboration between the large buyers can stabilize the supply for other buyers, enable manufacturers to better plan production, introduce economic benefits, and ultimately provide better service to patients.

- c. **Pediatric ARV Procurement Working Group:** The Global Fund Market Shaping Strategy included the need to “secure the pediatric ARV market” through adopting a coordinated approach to the procurement of pediatric ARVs. This resulted in the establishment of the Pediatric ARV Procurement Working Group (PAPWG), an umbrella group to support collective efforts to secure the pediatric ARV market (a fragile high-risk, low-supply market). The working group is chaired by the Global Fund and includes a broad range of partners, including large country procurers, international donors, procurement agents, and other relevant stakeholders from international organizations and coordinating bodies. A subset of the PAPWG forms the Procurement Consortium, a smaller group focusing on the alignment and coordination of procurement operational activities in order to achieve the procurement approach defined and agreed upon by the PAPWG. Through this mechanism, the Global Fund contributes to improved product selection/optimization, coordinates forecasting and engagement with manufacturers, facilitates procurement of pediatric ARVs, and monitors market-related challenges.
- d. **Global Fund Strategic Reviews:** In partnership with UNITAID, the Global Fund hosted the first Strategic Review of procurement and market-shaping activities in October 2014. The purpose of these reviews is to share progress, achievements, and challenges with partners and stakeholders, and engage in “deep dives” around specific topics with technical experts. The October 2014 Strategic Review was attended by 125 participants from 45 organizations in HIV, TB, and Malaria (with smaller groups for the “deep dives” on HIV Diagnostics and Tuberculosis). This meeting offered an opportunity for partners to provide feedback on Global Fund strategies, input into the future direction, and link with other initiatives. It is expected that the October 2014 review will be the first in a series of biannual reviews, each with a different “deep dive” topic to explore challenges, map activities, and review progress. To the extent possible, these will be linked to the UNITAID Market Forums, one of UNITAID’s mechanisms to: establish consensus on the challenges and barriers in health commodity markets; identify priority areas for high-impact, value-for-money, market-based interventions; and improve access to health commodities.
- e. **Gates Foundation partnership:** The Bill & Melinda Gates Foundation is a key thought partner with the Secretariat on market dynamics and supply chain issues. From late 2014, the Gates Foundation will be funding a dedicated resource in the Sourcing Department from the William Davidson Institute at the University of Michigan. This secondment will interface with various market dynamics work streams, engage in market dynamics research, and facilitate partnership with relevant organizations/initiatives.

Proposed Market Dynamics Oversight Modalities for the SIIC and the FOPC

- 16 Given the cross-cutting nature of market dynamics, the responsibility for oversight and monitoring of market dynamics matters will be shared between the FOPC and SIIC, as follows:
- a. The SIIC shall be responsible for guiding and overseeing the development and updating of strategic policies related to market-dynamics matters, such as the Market Shaping Strategy; and
 - b. The FOPC shall be responsible for oversight of the implementation of strategic policies, including the financial and operational aspects of related sourcing and procurement initiatives.
- 17 To reflect the proposed governance arrangements in the relevant core governance documents, the Bylaws, FOPC Charter and SIIC Charter will be amended as outlined in Annexes 1, 2 and 3, respectively, of this paper.
- 18 The amendments to the Bylaws consist of deleting the reference to the MDAG in Article 5 and Article 14, which describes the MDAG, in its entirety.
- 19 The FOPC Charter will now include, under advisory functions, the authority to recommend to the Board “adoption of, or modifications to, policies related to the financial and operational implementation of sourcing and procurement initiatives”. Furthermore, the FOPC oversight role will include review of the implementation of sourcing and procurement initiatives and their financial or operational implications, in accordance with Board-approved strategies and policies on market-dynamics matters. Additionally, the FOPC will have oversight over the methods for enhancing value for money, including how this relates to sourcing and procurement initiatives.
- 20 The SIIC Charter will be amended to clarify that its authority to recommend strategies for enhancing investment impact and value for money, includes strategies on market-shaping interventions. Also, the SIIC will have the responsibility of recommending the approval or amendment of strategic policies on market dynamics such as market-shaping matters and the overall sourcing of quality-assured pharmaceuticals, devices and other health products. Its oversight functions will continue to address the overall impact and effectiveness of investments, including how the market-shaping strategy delivers on these objectives.
- 21 The Secretariat will continue to report back to the SIIC and FOPC on progress and challenges related to market dynamics. In addition, both committees have nominated two focal points each for market dynamics issues. A working group comprised of the focal points will have monthly meetings/teleconferences to be updated on current activities and serve as a conduit between the Secretariat and their respective committees, providing support and perspectives on strategic direction and implementation of market-shaping activities. Additional ways of working for the focal points, and full committees, will be determined by the committees to ensure collaboration, coordination and communication continue.
- 22 Where technical expertise is required to support committee deliberations and analysis, independent external experts may be requested to attend relevant committee meetings in accordance with article 46 of the Operating Procedures of the Board and Committees.
- 23 In addition to these resources, the Technical Evaluation Reference Group (TERG), an independent evaluation body reporting to the Board through the SIIC, will commission an independent appraisal of progress towards the commitments reflected in the Global Fund

2012-2016 Strategy. As part of this evaluation, the TERG will include a number of additional thematic reviews, which are meant to examine specific topics in depth – including one to examine the Global Fund’s role in shaping the market for pharmaceuticals and health commodities. In addition to evaluating implementation processes and market outcomes (price, volume, number of suppliers), the review will develop a proposal for how the Global Fund can improve, monitor, and evaluate its market-shaping role in the future. The initial report for the market shaping thematic review is expected by the end of Quarter 1 of 2015, with an option for a follow-up report in Quarter 3 of 2015; the recommendations from this report will feed into the review of the current Market Shaping Strategy and work on the larger Global Fund Strategy 2017-2021.

24 Recommendations to the Board on market dynamics issues will be jointly reviewed and endorsed by both committees, as appropriate. Table 2 below describes proposed responsibilities for each committee. Certain illustrative examples of categories or topics are provided to demonstrate some of the issues the committees will face in their joint oversight roles, and how matters could be addressed under the proposed governance arrangements recommended in this paper. Where such initiatives require further review by and guidance from the relevant committee, their reference here does not presume the outcome of, or supplant, future deliberations and discussions that will occur when the initiatives are fully developed and presented for review. In practice, there will be a high level of overlap as strategy is translated into operational implementation.

Table 2. Division of Market Dynamics Oversight Responsibilities

SIIC	FOPC
<p>Oversight of the development and updating of the Market Shaping Strategy, including:</p> <ul style="list-style-type: none"> • Approach to market opportunities and risks • Pooled Procurement Mechanism (PPM) • Quality assurance policies • Forecasting, price, quality reporting mechanisms <p>Oversight of Global Fund Strategy 2017-2021, including:</p> <ul style="list-style-type: none"> • TERG Thematic Review of Market Dynamics • Procurement and market dynamics-related objectives/indicators in Global Fund Strategy <p>Policies related to strategic direction of the Global Fund with regard to procurement and market dynamics (innovation, local manufacturing, engagement with middle-income governments and suppliers)</p> <p>Oversight of the strategic development of new initiatives or concepts</p>	<p>Oversight of the implementation of the Market Shaping Strategy, including:</p> <ul style="list-style-type: none"> • Operational and financial policies to enable the PPM and non-PPM principal recipients and their agents to effectively pool volumes and shape markets • Systems to enable the Secretariat to employ strategic practices such as volume guarantees, splitting of tenders, and volume-based negotiation • Pooled Disbursement Mechanism and other flexible funding tools to improve supply of Global Fund financed products • Systems to forecast and track procurement (Finance Step Up, financial dashboards and reporting) • Operational tools to implement market dynamics initiatives with countries and Country Teams (toolkit, best practice examples, targeted trainings, and guidance) • Operational management of supply chain disruptions, including product shortages <p>Oversight of the operationalization of new initiatives or concepts</p>

Looking Forward

- 25 The 2011 Board-approved (current) Market Shaping Strategy has been a fundamental document for the Secretariat in its sourcing and procurement transformation. It has informed many of the key initiatives, including: (i) establishment of the PAPWG; (ii) strengthening of the PPM, including operational and financial policy changes that are essential to facilitate improved supply like volume guarantees, splitting of tenders, and volume-based negotiation; (iii) accelerated introduction and maturation of new, more cost-effective products; (iv) promotion of innovation of products and sustainable markets, as in the recent ACT tender; and (v) optimized/rationalized product selection of long-lasting insecticidal nets for malaria prevention.
- 26 Under the oversight of the SIIC, the Secretariat plans to undertake a phased review starting in early 2015 of the current Market Shaping Strategy in light of the P4i Sourcing Transformation and market evolution. For example, the revised Market Shaping Strategy could address new products and new Sourcing tools, current and potential constraints, and identified gaps. Further, the TERG Thematic Review of Market Dynamics (initial report expected by end-March 2015) will provide recommendations to the Global Fund on how to best advance its market-shaping agenda in the future. Based on this review, the Secretariat will present proposed updates, including emerging challenges, opportunities, and topics requiring SIIC and FOPC guidance and endorsement. The expected timeline is to present initial observations and considerations to the relevant committee for input by the middle of 2015, so that analysis and options can be refined and presented for final review and endorsement at the committee and Board meetings to be held during the fourth quarter of 2015.
- 27 Going forward, the Market Shaping Strategy should be fully aligned and explicitly linked to the overall Global Fund Strategy 2017-2021. Work on this larger Strategy has already begun, with regular Committee and Board engagement planned over the course of 2015 and into the next Replenishment year.
- 28 As outlined in the preceding sections of this paper, the Global Fund aims to continue playing a key role in strategic market shaping to manage risks and optimize pricing, quality, design, and sustainability of health commodities. These activities will be informed by consultations with technical experts and partners, other major financiers, civil society, and representatives of recipient countries. Given the significant amount and proportion of Global Fund grant funding that goes to health commodity procurement (i.e., about two thirds of annual disbursements), this mechanism will ensure that the Board (through the SIIC and FOPC) continues to have oversight of the strategic and operational components of market-dynamics matters.

DECISION

Decision

- 29 Based on the discussion above, the SIIC and FOPC jointly recommend the following decision point to the Board for approval.

GF/B32/DP08: Market Dynamics Oversight

- 1. Based on the joint recommendation of the Strategy, Investment and Impact Committee (the "SIIC") and the Finance and Operational Performance Committee (the "FOPC"), as outlined in GF/B32/23, the***

Board:

- a. ***Affirms its commitment to optimizing the performance and impact of investments in health products and devices, through the review and updating of the Market Shaping Strategy (Annex 1 to GF/B23/09 - Revision 1) as well as oversight of its implementation and operationalization;***
 - b. ***Decides the Market Dynamics Advisory Group (the “MDAG”) will cease as of the date of this decision, and that no advisory body shall be created or utilized to support the Board and its Committees in their responsibilities over market-dynamics matters;***
 - c. ***Acknowledges the Secretariat’s responsibility to develop, update and implement strategic policies and initiatives on market-dynamics matters in collaboration with partners with relevant expertise;***
 - d. ***Decides that the overall responsibilities for oversight and monitoring of market-dynamics matters, which include strategic and operational components, shall rest with the FOPC and SIIC as follows:***
 - i. ***The SIIC shall be responsible for guiding and overseeing the development and updating of strategic policies related to market-dynamics matters, such as the Market Shaping Strategy for recommendation to the Board by its November 2015 meeting; and***
 - ii. ***The FOPC shall be responsible for oversight of the implementation of strategic policies, including the financial and operational aspects of related sourcing and procurement initiatives.***
- 2. Accordingly, the Board approves the amendments and restatements of the following governance documents, which shall become effective as of the date of this decision:**
- a. ***Bylaws, as set forth in Annex 1 to GF/B32/23;***
 - b. ***Charter of the Finance and Operational Performance Committee, as set forth in Annex 2 to GF/B32/23; and***
 - c. ***Charter of the Strategy, Investment and Impact Committee, as set forth in Annex 3 to GF/B32/23.***
- 3. The Board directs the FOPC and SIIC, in collaboration with the Secretariat, to develop procedures and mechanisms on reporting and engagement to facilitate the FOPC and SIIC in the discharge of their responsibilities, including establishment of methods for how the committees will communicate, as a whole and through focal points, and ways to enlist experts that can provide technical support when appropriate. Such procedures and mechanisms will be in place and communicated among the members of the FOPC and SIIC by the end of the 2014 calendar year.**

Amendments and Restatements to the Bylaws

1. The bullet point in Article 5 of the Bylaws that references the Market Dynamics Advisory Group shall be deleted in its entirety as follows:

Article 5. Governing, Administrative and Advisory Bodies

The governing, administrative and advisory bodies of the Global Fund are:

- the Partnership Forum;
- the Global Fund Board (the “Board”);
- the Committees of the Board;
- the Coordinating Group;
- the Secretariat;
- the Office of the Inspector General;
- the Technical Review Panel; and
- the Technical Evaluation Reference Group; and.
- ~~• the Market Dynamics Advisory Group.~~

2. Article 14 of the Bylaws shall be deleted in its entirety as follows:

~~Article 14. Market Dynamics Advisory Group~~

~~The Market Dynamics Advisory Group (the “MDAG”) is an advisory body of the Global Fund that provides technically sound advice to the Global Fund on the development and implementation of strategies and other innovative initiatives to better support achievement of the Global Fund’s strategic objectives in the areas of: (i) initiatives that increase the buying power, value for money and impact of Global Fund investments in pharmaceutical and other health related commodities; (ii) opportunities to expand the take-up and efficient and appropriate use of new pharmaceuticals and health related technologies, including proposals for innovative partnership arrangements to stimulate take-up and impact; and (iii) mechanisms that streamline and bring increased quality assurance to the procurement and supply of pharmaceutical and health related commodities within international and/or national markets. The MDAG is comprised of both constituency nominated representatives, and other persons serving either in an individual capacity or as a representative of a key stakeholder in one or more of the specialist areas of the MDAG’s mandate. The purpose, functions and composition of the MDAG shall be as set forth under its Terms of Reference, as approved and amended from time to time by the Board or a Committee with powers duly delegated by the Board.~~

Amendments and Restatements to the Charter of the FOPC

- 1. Section B.2.2 of the Charter of the Finance and Operational Performance Committee shall be amended to add the new advisory function depicted below as new paragraph B.2.2.e.:**

B. Functions

Advisory Functions

2.2 The FOPC shall advise and make recommendations to the Board on the following:

- a. The multi-year budget and cash-flow projections of the Global Fund, based upon review by the FOPC of materials prepared by the Secretariat and the World Bank in its capacity as Trustee for the Global Fund.
- b. Modifications to the policy frameworks governing the receipt and management of contributions to the Global Fund, including those concerning the trustee relationship with the World Bank and the contribution modalities available to donors.
- c. Modifications to the Comprehensive Funding Policy and any other Board-approved policies governing the commitment of Global Fund assets for the approval of funding proposals.
- d. Modification to the resource mobilization strategy of the Global Fund.
- d.e. Adoption of, or modifications to, policies related to the financial and operational implementation of sourcing and procurement initiatives.
- e.f. The approval by the Board of the annual operating budget of the Global Fund, including the component budgets for the Secretariat and the Office of the Inspector General (“OIG”), and approval by the Board of proposed operating expenditures that exceed the budget threshold approved by the Board.
- f.g. The adequacy, efficiency and effectiveness of the fiduciary control framework for grant management and the risk management strategy adopted by the Board, and proposed material modifications to the risk management strategy.
- g.h. Analyses undertaken by the FOPC at the request of the Coordinating Group of key risk areas.

2. Section B.2.3 of the Charter of the Finance and Operational Performance Committee shall be amended to add the new oversight function depicted below as new paragraph B.2.3.d. and modified paragraph B.2.3.h:

B. Functions

Oversight Functions

2.3 The FOPC shall have responsibility for oversight and review in the following areas:

- a. Oversight of the financial management of Global Fund resources, including annual review of (i) financial forecasts; (ii) status of donor pledges and contributions; (iii) the activities of the World Bank in its capacity as Trustee for the Global Fund; and (iv) financial management performance against key performance indicators adopted by the FOPC.
- b. Oversight of the corporate management and operations of the Secretariat, including annual review of (i) the Secretariat's risk assessment and management processes; (ii) the Secretariat's response to recommendations and findings by the external auditor, as referred by the Audit and Ethics Committee, and the OIG; and (iii) corporate management performance against key performance indicators adopted by the FOPC.
- c. The annual expenditures of the Global Fund, including the Secretariat and the OIG, against approved budgets and work plans.
- d. The Secretariat's implementation of sourcing and procurement initiatives, and their financial or operational implications, in accordance with strategies and policies on market dynamics, such as market-shaping interventions, approved by the Board.
- e.e. The resource mobilization strategies, policies and activities of the Global Fund, including review of (i) the status and effectiveness of replenishment activities; (ii) engagement of private sector donors and development of innovative financing initiatives; and (iii) management of in-kind donations by the Global Fund.
- d.f. The adequacy, efficiency and effectiveness of the fiduciary controls and financial risk management of the Global Fund, including review of (i) the implementation of measures to incorporate into business practices the audit and investigation findings of the OIG; (ii) the fiduciary obligations of grant recipients; (iii) key risk areas as requested by the Coordinating Group; and (iv) Global Fund policies for sanctioning fraud and misuse of grant funds, including termination and suspension of grants.
- e.g. The adequacy and effectiveness of fiscal management policies and processes, including investment and foreign exchange hedging strategies, and policies governing the commitment of Global Fund assets.
- h. ~~The development of strategies-methods~~ for enhancing value for money by improving productivity and efficiency at all levels of the organization and operation of the Global Fund, including sourcing and procurement initiatives.

| f.i. The corporate administrative policies and activities of the Secretariat, including human resources and insurance policies, involving consultation as appropriate with the Global Fund Ombudsman, representatives of Secretariat staff and Global Fund Legal Counsel.

Amendments and Restatements to the Charter of the SIIC

1. **Section B.2.2 of the Charter of the Strategy, Investment and Impact Committee shall be amended to add the new advisory functions depicted below as modified paragraph B.2.2.d. and new paragraph B.2.2.e:**

B. Functions

Advisory Functions

2.2 The SIIC shall advise and make recommendations to the Board on the following:

- a. The institutional strategies of the Global Fund.
- b. Modifications to the organization and/or operations of the Global Fund, based upon assessment of the performance of the Global Fund's grant portfolio and initiatives, and taking into consideration advice and recommendations received by the SIIC from the Audit and Ethics Committee and the Finance and Operational Performance Committee.
- c. Modifications to Board-approved funding strategies and initiatives.
- d. Strategies for enhancing investment impact and value for money, taking into consideration issues such as epidemiological trends, ~~and~~ technological developments and market-shaping interventions.
- d.e. Adoption of, and modifications to, strategic policies on market dynamics matters such as market-shaping interventions and the sourcing of quality-assured pharmaceuticals, devices and other health products.
- e.f. Modifications to Board-approved funding policies on eligibility, prioritization and counterpart financing.
- f.g. Material modifications to the mandate of the advisory bodies of the Global Fund.

2. **Section B.2.3 of the Charter of the Strategy, Investment and Impact Committee shall be amended to add the new oversight function depicted below as new paragraph B.2.3.d.:**

B. Functions

Oversight Functions

2.3 The SIIC shall have responsibility for oversight and review in the following areas:

- a. Oversight of the grant portfolio and initiatives of the Global Fund, including annual performance assessments based upon key performance indicators adopted by the SIIC, making use of both internal and external evaluations,

reports of the advisory bodies of the Global Fund, and the advice and recommendations of the Finance and Operational Performance Committee and the Audit and Ethics Committee.

- b. Oversight of the advisory bodies of the Global Fund, including review of evaluations and recommendations of such bodies, and annual performance assessments of such bodies based upon key performance indicators adopted by the SIIC.
- c. The implementation of the strategic policies of the Global Fund, taking into consideration issues such as changes in the disease landscape, forecasted demand for Global Fund financing, and the overarching objectives of harmonization, alignment and long term sustainability.
- d. The overall impact and effectiveness of Global Fund investments in health, including its market-shaping ~~initiatives~~strategy and strategic funding decisions.
- e. Annual review of developments and trends in the disease landscape, taking into consideration issues such as epidemiological trends and the activities of partner organizations.
- f. Annual review of the forecasted demand for Global Fund financing, based upon epidemiological trends and analyses presented by partners, advisory bodies of the Global Fund and the Secretariat.
- g. The risk implications of the strategies and initiatives of the Global Fund, including strategic investment decisions and new funding platforms.