

35th Board Meeting

# Report of the 35<sup>th</sup> Board Meeting

26-27 April 2016, Abidjan, Côte d'Ivoire

GF/B35/28 – Revision 1

Board Decision

# Report of the 35<sup>th</sup> Board Meeting

## Purpose

This document presents the Report of the 35th Global Fund Board Meeting, held in Abidjan, Côte d'Ivoire, from 26-27 April 2016.

Agenda items. The Meeting comprised twenty-two (22) agenda items. Of the original ten (10) agenda items submitted to the Board with Decision Points, the Board chose to defer one decision and agreed to add two additional decisions over the course of the Meeting, resulting in a total of eleven (11) approved Decision Points. Eleven (11) agenda items were for information. Two executive sessions were held.

Decisions. The Report includes a full record of the meeting including the eleven Decision Points adopted by the Board (Annex 1). Of the eleven (11) decision points approved by the Board, four (4) included amendments to underlining policy documents or papers prior to approval (i.e., GF/B35/DPO4, GF/B35/DPO7, GF/B35/DPO8, GF/B35/DPO10) and two (2) resulted from a new motions made after the start of the Board Meeting (i.e., GF/B35/DPO3 and GF/B35/DPO11).

Documents. A document list is attached to this Report (Annex 2). Documentation from the 35<sup>th</sup> Board Meeting is available at:

<http://www.theglobalfund.org/en/board/meetings/35/>

Presentations. Presentation materials are available to Board Members on the *BoardEffect* platform.

Participants. The participant list for the 35<sup>th</sup> Board Meeting can be consulted at:

<http://www.theglobalfund.org/en/board/meetings/35/>

Glossary: a glossary of acronyms can be found in Annex 4.

*The Report of the 35th Board Meeting was approved by the Board of the Global Fund via electronic vote on 14 July 2016 (GF/B35/EDPO9).*

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# Agenda Item 1: Board Meeting Opening Ceremony

1. The Chair of the Board, Mr Norbert Hauser, welcomed participants and thanked all involved in bringing the Board together for its 35<sup>th</sup> meeting. On behalf of the Board leadership, Mr Hauser recognized the contributions of outgoing Chairs and Vice-Chairs of the Standing Committees<sup>1</sup> and extended his welcome to the incoming Chairs and Vice-Chairs of the newly established Standing Committees. He warmly greeted distinguished guests: the Prime Minister, the Minister of Health and officials from the Ministry of Health of the Republic of Côte d'Ivoire, and delegates from the African constituencies of the Board. Mr Hauser then welcomed new Board Members and Alternate Board Members, and recognized those who attended the meeting in a delegated capacity.
2. The traditional candle of remembrance was lit by Dr Mirta Roses Periago, Alternate Board Member for the Latin America and the Caribbean (LAC) constituency, who spoke in memory of those who had lost their lives due to HIV/AIDS, tuberculosis and malaria, and in support of refugees and persons displaced for social, political and economic reasons. The minute of silence was also dedicated to caregivers, and health and humanitarian workers, who had lost their lives in pursuit of peace, freedom and improved quality of life. Dr Roses Periago called for enhanced technical and political efforts to respond to the needs of refugees and displaced people, and to the HIV/AIDS, tuberculosis and malaria response.
3. Mr Hauser welcomed Mr Martin Chungong, Secretary General of the Inter-Parliamentary Union (IPU) and congratulated the IPU for its work in the area of reduction of maternal and infant mortality rates. In his keynote speech, Mr Chungong addressed the relevance of a stronger role and engagement of parliaments at national level, and the focus on establishing solid linkages between the work of parliaments, good governance and improved outcomes for all affected people. Mr Chungong reiterated that the Global Fund belongs to recognized partners of the Inter-Parliamentary Union and that he looks forward to mutual collaboration and stronger involvement of parliaments in Country Coordinating Mechanisms and relevant processes to maximize impact in country.
4. The Minister of Health of the Republic of Côte d'Ivoire, Dr Raymonde Goudou Coffie, expressed her appreciation and gratitude to all governance officials, gathered at the Board Meeting. Dr Goudou Coffie then invited the Prime Minister, Mr Daniel Kablan Duncan, to mark the official open of the 35<sup>th</sup> Board Meeting.
5. On behalf of the President of the Republic of Côte d'Ivoire, His Excellency Mr Alassane Ouattara, the Prime Minister, Mr Daniel Kablan Duncan, cordially welcomed all gathered in traditional Ivorian *Akwaaba*. In his address, the Prime Minister expressed deepest gratitude for holding the Global Fund Board Meeting in Abidjan, which signalled solidarity and commitment to world peace in light of the recent terrorist attack at Grand-Bassam. Mr Duncan referred to significant contributions the country had received from the Global Fund since its inception, and noted the Global Fund impact on numerous national programs, leading to strengthened capacity and improved health indicators in Côte d'Ivoire. He further recognized the existing partnership with the Global Fund, including President Ouattara's role as Global Fund Champion in advance of the upcoming 5<sup>th</sup> Replenishment Campaign. Mr Duncan concluded his address by reassuring the Board of the Ivorian government's commitment to ethics and integrity, and extended his best wishes of a successful meeting "*on the shores of our lagoon*".

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<sup>1</sup> Audit and Ethics Committee, Finance and Operational Performance Committee, and Strategy, Investment and Impact Committee, each of which was succeeded by a new Standing Committee at the conclusion of the 35<sup>th</sup> Board Meeting.

## Agenda Item 2: Board Meeting Administrative Matters

6. Mrs Aida Kurtovic, the Vice-Chair of the Board, welcomed the participants, presented to the Board the meeting agenda items and remarked on relevant decisions taken at the 34<sup>th</sup> Board Meeting. The Board unanimously approved two decisions, to appoint Siula Bulu of the Western Pacific Constituency as rapporteur (GF/B35/DP01), and to approve the agenda (GF/B35/01– Revision 3) for the meeting (GF/B35/DP02).

## Agenda Items 3 and 10: Executive Sessions of the Board

7. The Board met in two Executive Sessions on day one and day two of the Board meeting. The proceedings of those sessions, and the record arising, were managed in line with Paragraph 22 of the Global Fund’s Board and Committee Operating Procedures (GF/B34/EDP21).<sup>2</sup>

## Agenda Item 4: The Future of the Global Fund Board’s Composition and Structure and Recommendations on Governance Matters Part I – Presentation and Discussion

8. **TGC presentation.** Dr Viorel Soltan, the Chair of the Transitional Governance Committee (“TGC”), opened the session and invited Ambassador Carsten Staur, TGC member, to present key findings and recommendations on Board size and composition conducted as part of the TGC’s mandate in collaboration with the Graduate Institute of International and Development Studies in Geneva.
9. In summary, Ambassador Staur advised the Board that, despite an extensive consultative process, the Board had not reached consensus regarding any proposed change to the Global Fund Board composition and structure. While there is an appetite to address this issue, there is no unified agreement as to the ‘how’ and the ‘what’ at this stage. However, the Board expresses a clear ambition to continue to build a culture of trust, to maximize the effectiveness of existing governance structures and to adapt the Global Fund governance to the architecture of a changing world in the context of Sustainable Development Goals (“SDGs”).
10. Ambassador Staur highlighted the issue of the donor group composition. It is comprised of five seats, each held by individual governments<sup>3</sup>, three seats, each held by a constituency of multiple

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<sup>2</sup> Operating Procedures of the Board and Committees of the Global Fund, as approved by the Board on 21 April 2016, section 22: 22.1. In its discretion, the Board may conduct its business in closed executive session where only the Board Members and Alternate Members of voting constituencies of the Board, or their official designates, may be present. The Board Chair and Vice-Chair may invite the Board Members and Alternate Members of the non-voting constituencies of the Board, Chairs and Vice-Chairs of the Standing Committees, or other participants to attend closed executive sessions based on the matters to be discussed. 22.2. Unless the Board decides otherwise, business conducted in closed executive sessions shall follow the same procedures, where relevant, as business conducted in open sessions, including the procedures related to decision making and voting in Article 20 of these Operating Procedures. 22.3. In accordance with Board policy, recordings of the closed sessions shall be kept confidential. However, the outcome of the deliberations, particularly if there are financial implications, shall be summarized in an open session of the Board meeting. Unless otherwise agreed by the Board, decisions taken by the Board in closed sessions shall be communicated by the Board Chair or Vice-Chair to the relevant parties in the Secretariat or Office of the Inspector General that may be charged with monitoring or executing such decisions. An official record of closed sessions must be maintained by the Board Chair and Vice-Chair and deposited with the Legal Counsel of the Global Fund.

<sup>3</sup> France, Germany, Japan, UK, USA

governments<sup>4</sup>, and two seats, each held by a multi-donor constituency representing private sector and private foundations. This has led to the recommendation that the donor group reviews its method for allocating seats. In addition, the current nature of 'like-mindedness' among donors could deter some potential donors who might want to be represented in the governance structures. Ambassador Staur added that the shift from the Millennium Development Goals ("MDGs") to SDGs must be reflected in the Board composition and requires continuous in-depth discussions. Regarding the voting structure, Ambassador Staur called on the Board to consider forming one unified Board with the required two-thirds majority applied to the entire Board's voting seats rather than requiring such two-thirds majority for each voting group of the Board as under current rules.

11. In view of the fact that there is a lack of appetite for change at present, Ambassador Staur advised the Board on the following TGC recommendations:
  - to postpone the discussion on Board composition until 2019-2020;
  - the Board Leadership to consider countries having observer status more systematically ("Standing Observer Status");
  - to focus on functioning of the present governance system and improvements needed, under the mandate of newly created Ethics and Governance Committee ("EGC").
12. **Board discussion.** One constituency raised the issue of seats for African constituencies. It was noted that, despite the establishment of an Africa Constituencies Bureau to enhance the effectiveness of Board members who represent the Africa constituencies, a long-term solution must be sought, including the option of an additional seat for Africa.
13. The review of Board composition at the mid-point of the new Strategy was welcomed by one constituency. Others noted certain advantages in addressing the matter continuously. They stressed the need for ongoing discussions, constantly exploring new options openly and creatively, and sending a strong signal to potential donors, particularly in the context of the upcoming replenishment. It was also recognized that "like-mindedness" might be a potential obstacle, and analysis of its pros, cons and added value must be undertaken.
14. One constituency raised a discrepancy related to the content of the Annex 1 of the TGC Recommendations on Board Composition and Size (GF/B35/17), stating that the constituency had been interviewed. The Board Member noted that they had not been interviewed. Moreover, comments raised by the constituency in advance of the Board Meeting were neither considered nor properly addressed. The constituency expressed its dissatisfaction with the TGC leadership response and requested the Chair and Vice-Chair of the Board to ensure appropriate response and follow up (**Action Item**).
15. Several constituencies thanked the TGC for their work and outputs. It was noted that the global health context is evolving rapidly in the SDGs framework, and the Global Fund risks losing its innovative edge if its Board is unable to propose a model beyond the donor vs. implementing group model. One constituency further proposed that the EGC is tasked, as a matter of priority, to revisit the Board composition and develop long term options for accommodating new donors, while another constituency hoped for a more ambitious outcome and articulating a partnership aspect.
16. **TGC response.** Ambassador Carsten Staur acknowledged the interest in continuing the discussion, but noted that the EGC would need to continuously monitor the appetite in the Board for anything that would ultimately lead to a decision. In terms of other issues raised, Ambassador Staur recognized the challenges in supporting two Africa constituencies that cover 46 countries.

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<sup>4</sup> Canada/Australia/Switzerland; Point 7; EC (Belgium, Italy, Spain, Portugal)

On 'like-mindedness' Ambassador Staur noted that the survey results indeed indicated interest in accommodating new donors, however, primarily like-minded ones, which share the same values and principles. He called on the Global Fund to reflect on this and recognize that approaching new donors that share a different set of beliefs and values could lead to tensions. This might be addressed better by granting some sort of standing observer status.

17. In addition, Dr Viorel Soltan clarified that the Graduate Institute study was independent. It presented an opinion, based on current research advancements and the Board's comments. In the context of an additional seat for Africa, Dr Soltan reiterated that multiple discussions at the TGC had already taken place and more insightful deliberations must continue to explore additional options. Dr Soltan finished by assuring the new Chair and Vice-Chair of the EGC that the TGC would provide all necessary institutional memory support to their future deliberations.

## Agenda Item 5: Office of the Inspector General Matters

18. Mr Graham Joscelyne, Chair of the Audit and Ethics Committee ("AEC"), noted the AEC's comfort with the work completed by the Office of Inspector General ("OIG"). He emphasized the high quality of OIG audit and investigations work, in line with international standards, and commented on the robust evidence forming the basis of the OIG 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund ("Annual Opinion") (GF/B35/11). Finally, Mr Joscelyne underlined AEC satisfaction with the impact achieved through sound OIG recommendations and Secretariat response, and the exemplary transparency demonstrated throughout the OIG's work, and specifically by the Annual Opinion.
19. Mr Mouhamadou Diagne, the Inspector General ("IG"), presented the OIG's 2015 Annual Report (GF/B35/10), and Annual Opinion. He noted that issues raised in the Annual Opinion and in individual OIG reports are complex and critical, and require focused attention and intensified collaboration with partners. He also commented on the need for continued discussions on how to reach the Global Fund's target maturity level. Finally, he commended an engaged and collaborative process with the Secretariat, and noted that a Secretariat self-assessment of organizational maturity had been consistent with the OIG findings.
20. **Board discussion.** Constituencies appreciated the OIG's work, level of transparency and high quality reports, risk-based prioritization of audit work, and focus on business model matters. There was also support for the "*I Speak Out Now!*" campaign. The Annual Opinion was recognized as a valuable tool enabling the Board to maintain a balanced focus on risk management and internal controls matters. Specific commentary is outlined below.
21. 2015 Annual Report. Constituencies appreciated the OIG's strong focus on grant implementation risk and fiduciary exposures, as well as progress made around human rights and community involvement. One constituency requested more in-depth analysis of measures applied to solve allegation cases related to human rights and results of these interventions.
22. Organizational maturity scale. Several constituencies acknowledged the progress towards the *embedded*<sup>5</sup> level of maturity of governance, risk management and control processes, and commended the evolution along the maturity scale and focus on continuous improvements. It was emphasized that organizational maturity relies on both policies for governance, risk management

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<sup>5</sup> Internal controls, governance and risk management processes have been defined and are embedded in everyday management practice. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely but uncertain that they will allow the organization's operational and strategic objectives will be fully met (GF/B35/11).

and internal controls, and consistent application of adequate processes. Finally, constituencies called on the Board to support progress towards the *embedded* level of maturity, while maintaining an ambitious goal to reach the *actively managed and formalized*<sup>6</sup> level of maturity within three years.

23. Action Plan. The Annual Opinion provides a useful framework for determining concrete next steps towards increased maturity. In this context, one constituency requested a written management response with a detailed work plan to allow the Board to monitor progress in all areas raised in the Annual Opinion.
24. Risk management. Constituency commentary on risk management matters covered the following key topics:
- The capacity of the organization’s three lines of defense, especially within the risk management function.
  - The need for a balanced holistic and proactive approach to managing both programmatic and financial risks, properly balanced against mission risk and mission impact.
  - The need for more effective oversight of risk management and assurance, and discussions on the Board’s tolerance and risk appetite, the balance between fiduciary and development risks, and improvements in coordination of risk management across the committees.
  - The importance of an assurance framework, which includes Local Fund Agents (“LFAs”), internal and external auditors, and which is applied in a comprehensive manner in order to make assurance more active and responsive.
  - The need for strengthened links between risk identification and mitigation.
  - A call for bolder steps to properly address risk management, especially with respect to communications with country and constituencies to ensure early risk mitigation by the first and second defense lines.
  - Recognition that the critical Risk and Assurance initiative had gained traction.
  - Attention to sequencing of funding decisions in the context of OIG audits and investigations.
  - Further information regarding implementation of the information technology disaster recovery plan.
  - Further information regarding the transformative impact of initiatives launched to improve grant management processes.
25. Procurement and supply chain. Board commentary called for greater progress in order to scale up in the next three years, through a holistic approach to procurement and supply chain management. One constituency requested a detailed strategy on procurement matters for Board approval, including clarifications on how the Board could support progress. The same constituency emphasized the role of the Global Fund to gain scale and impact in the supply chain through increased commitment of resources, and redesigning supply chains. It further requested greater visibility over supply chain improvements, and to enable better monitoring. The Secretariat will report on progress at subsequent committee meetings.
26. Country Audits and Country Coordinating Mechanisms. A number of constituencies appreciated improved engagement with in-country stakeholders in country audits, seen to reinforce the role of the Country Coordinating Mechanism (“CCM”) in oversight over implementation. The Board needs to properly assess the CCM model and ensure they are inclusive, integrated and effective.

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<sup>6</sup> Internal controls, governance and risk management processes are actively managed and overseen with clear lines of accountability. Decision making is based on reliable data sets with sufficient due diligence, leading to assurance mechanisms that are robust and fit for purpose to enable the organization’s operational and strategic objectives to be met (GF/B35/11).

Further clarifications were sought on how the findings and recommendations of the application of the audit findings to CCM guidelines, especially in the context of transition, review of the grant making process and the Secretariat's measures to reduce approval period and strengthen interconnection among various risk management tools. The Secretariat will report on progress on CCM audit AMAs as part of OIG Management Actions reporting to the AFC. Additionally, the Uganda audit was cited as an example of value-added collaboration between the OIG and CCM, leading to strengthening of internal controls and improved processes.

27. **Partnership.** Several constituencies agreed that optimizing partnerships and engaging with partners holds all partners accountable for reaching Global Fund targets. As such, methods to hold partners accountable and optimize partnerships in a cost effective manner need to be sought. One constituency offered its support to work further together to ensure continued progress in an atmosphere of accountability.
28. **Transparency.** One constituency commended the Global Fund's "top five" classification for transparency and accountability on the *2016 Aid Transparency Index*.<sup>7</sup>
29. **Fraud cases.** A number of constituencies supported follow-up actions to investigate fraud and condemned misuse of funds, particularly in countries where key populations lack support. It was suggested that implementation of the Ethics and Integrity Framework be expedited and concrete measures and work plans be put in place for fraud prevention.
30. **Agreed Management Actions.** Regarding the 2015 Progress Update on Status of Agreed Management Actions ("AMAs") (GF/B35/12), one constituency expressed concern about slow progress in addressing open AMAs relating to finance, and the increase in overdue AMAs, and requested that both areas be addressed in 2016.
31. **Inspector General response.** The Inspector General welcomed constituencies' feedback as an indicator that OIG work provides a level of assurance that enables the Board to perform its oversight responsibilities. The IG provided the following responses and clarifications in response to constituency commentary and questions:
  - **The OIG relationship with constituencies and the civil society.** Engagement with various stakeholder groups in country is paramount. Audit teams meet with a broad range of stakeholders, including embassies, NGOs, and representatives of civil society organizations. Noting the confidential nature of investigation cases, the OIG strives to interact with as broad range of partners as possible.
  - **Audit in Uganda.** The extent to which the OIG's work contributes to increased governance, strengthening internal controls in country, and helps countries to develop better processes to enable them efficient and effective use of resources is an indicator of OIG success.
  - **Agreed Management Actions.** Mr Diagne noted a decrease in open AMAs, strong focus on the corrective actions to address issues raised in the OIG reports, and appreciated the Board's attention to AMAs.
  - **Procurement and supply chain management.** The supply chain is critical to success in country and remains a major challenge for the organization. Procurement activities have improved by implementing the Pooled Procurement Mechanism ("PPM") and other processes. Collaboration and engagement with partners is key in procurement matters. The planned 2016 OIG review of supply chain management demonstrates continued focus on this area.

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<sup>7</sup> [http://www.theglobalfund.org/en/news/2016-04-13\\_Global\\_Fund\\_Named\\_as\\_Leader\\_in\\_Aid\\_Transparency/](http://www.theglobalfund.org/en/news/2016-04-13_Global_Fund_Named_as_Leader_in_Aid_Transparency/). Classification of organizations and nations that are major donors of global aid for transparency and accountability.

- Resourcing for risk management and assurance. The OIG, the third line of defense, is adequately resourced to deliver on its mandate and cover significant risks that face the organization. The Secretariat is assessing risk management direction and adequate resource allocation for the function. Finally, risk management needs to be embedded throughout the entire life cycle of the business model. As such, a risk management culture within grant management is critical.
- Engagement with partners. Resolving challenges relating to supply chain, data quality, and HSS requires sustained collaboration among partners. The impact of partner engagement is increasingly assessed through individual audits.
- Local Fund Agents (“LFA”). As a cornerstone of the Global Fund business model, the LFA role needs to be considered holistically, in connection with the entire assurance framework, striving for optimization of LFA collaboration with other assurance providers.
- Fraud cases. In significant cases of fraud, the OIG makes recommendations to inform recoveries and, in some cases, notifies local law enforcement authorities.

32. In response to comments raised by constituencies, Mr Rahul Singhal, the Chief Risk Officer (“CRO”), clarified the following key points:

- Resourcing for the lines of defense. Both Differentiation for Impact and the AIM projects serve to identify system inefficiencies, prioritize resources and better leverage partnerships. Results of these initiatives will inform resourcing needs for the first line of defense. Resourcing for the risk management function, which is part of the second line of defense, requires strengthening in terms of skillset and headcount.
- Risk tolerance should not be perceived as a formula, rather viewed in the context of consistent decisions that the organization makes over time, consequently reflected in the organization’s risk appetite.

33. Mr Mark Edington, Head of the Grant Management Division, provided further responses to comments raised by constituencies earlier in the day, noting the following:

- Supply chain. The Global Fund’s role in supply chain management is catalytic, and supply chain matters remain a major obstacle. Key milestones to address supply chain matters over the next year include: (1) launching the supply chain initiative, with projects in another two or three countries, similarly to Nigeria, with close interaction and engagement with in-country partners; (2) recruitment of a Head of Supply Chain, reporting to the Head of the Grant Management Division, by end-Q3 2016; (3) a department focused on supply chain, bringing expertise in logistical management systems, warehousing, logistics, etc.; and (4) continued application of KPIs to supply chain processes.
- CCM audit. There are already initiatives put in place to strengthen CCMs, with further strengthening required in higher risk and higher disease burden countries. As Global Fund staff do not sit on CCMs, its role is limited to facilitation and providing guidance for improvements or changes, including supporting the identification and acquisition of technical assistance needs.
- First line of defense. Balancing mission risk, fiduciary and financial risk is the basis of decisions taken in grant management. Focus remains on continuing to enhance risk management skills within the first line of defense.
- Disaster recovery. An interim information technology disaster recovery plan is in progress and under implementation of the third party provider, already tested by IT department for all major applications. The plan will be reviewed by the OIG once finalized by the Secretariat.

- AMAs. The Secretariat continues to be committed to closing AMAs. Some overdue AMAs will take time to address due to complex and longstanding root causes.
- Timing of funding recommendations. The Secretariat will continue to work with the Board to ensure appropriate timing of funding recommendations vis-à-vis OIG findings.
- LFAs. As part of the assurance framework, the LFA role, mandate and scope of responsibilities will be considered, particularly from the perspective of increasing value for money.

34. **Decision Point.** On behalf of donor group constituencies, the Private Sector proposed a decision point, calling for heightened efforts to advance risk management systems and internal controls, including review of the business model in the context of the differentiation initiative. The decision point was approved by the Board unanimously (GF/B35/DP03).

## Agenda Item 6: Risk Management Report and Annual Assurance Statement on Risk Management

35. Mr Rahul Singhal, the Chief Risk Officer, presented the Annual Assurance Statement on risk management, and biannual Risk Management Report (GF/B35/23), with introductory remarks focusing a number of initiatives as particularly critical to strengthening risk management processes across the organization. In addition to the Risk and Assurance initiative, Differentiation for Impact will better prioritize and focus Global Fund resources to achieve maximum impact while managing risk. The Accelerated Integration Management (“AIM”) project enables integration of risk management throughout the grant lifecycle, through consolidation of risk management tools and automated controls.

36. **Coordinating Group.** The Chair of the Audit and Ethics Committee (“AEC”) confirmed AEC comfort with ongoing initiatives and the vision for risk management, and called on the Board to consider tasking one specific committee with overseeing the objectives of the risk function, methodologies for monitoring performance, and level of required resources. The Vice-Chair of the Finance and Operational Performance Committee (“FOPC”) recognized the maturation of the Coordinating Group’s role in risk management, and noted that risk management oversight and ownership is expected to mature under the enhanced governance structure.

37. **Board discussion.** Additional comments focused on strengthening the second line of defense, the Board’s assessment of the risk management function’s independence and vision, and support for integrating a strong risk management and mitigation culture in all activities. Further commentary noted the need for balanced and effective collaboration between the three lines of defense for effective implementation of in-country operations, and underlined the role of local partners, networks and embassies in countries where the implementation of the Global Fund’s strategic initiatives are at risk.

38. One constituency called for one Standing Committee to take the lead on risk management oversight, and for the Ethics and Governance Committee to consider this matter. Another called for analysis of the role of fiduciary agents as compared to LFAs. The Secretariat will consider this as part of the risk and assurance framework that is being rolled out (**Action Item**).

39. Strengthening risk management. One constituency stressed that ensuring robust financial and programmatic risk management and assurance is of paramount importance, and overseeing risk management is one of the core functions of the Board. The UK called on the Secretariat to develop,

and for the OIG to review in the future, an approach on supply chain management for presentation to future committee meetings. Mitigating and managing this kind of risk is as important for the people on the ground as it is for the Global Fund.

40. **Strategic risks.** One constituency called for particular attention to strategic as well as financial and organizational performance risks. Specifically, risk of drug resistance, and the need to encourage use of appropriate medicines, prevent stock outs, and better increase and measure viral load for HIV, while considering the problem of patients' resistance in tuberculosis and malaria.
41. The Developed Country NGO delegation commended the Global Fund for being one of the five most transparent organizations as per the Publish What You Fund Aid Transparency Index. It recognized that the Global Fund operates in many high-risk countries and the Board needs to have a high risk tolerance. The Developed Country NGO Board delegation expressed its public health approach to mismanagement and fraud in terms of prevention, detection, and response, stating that it has seen the detection by the OIG and the response by the Secretariat, also asking how the Global Fund partnership could continue to improve prevention.
42. **Secretariat response.** Dr Mark Dybul, the Executive Director, emphasized that risk management is an organization-wide responsibility, noting the collective approach to risk management, embedded in organizational priorities. The Executive Director holds overall responsibility to the Board for risk management. As such, risk management reporting to the Board reflects management's view and perspective, while the CRO's reporting arrangement provides for the CRO to report any disagreements with management to the Board. In addition, Dr Dybul recognized supply chain management as one of the organization's priorities, and a key contributor to building resilient and sustainable systems for health ("RSSH"). The CRO emphasized the risk function's commitment to balancing mission risk with fiduciary and financial risk matters. Finally, the Head of Grant Management reassured the Board of the Secretariat's attention to drug resistance risks.

## Agenda Item 7: Update from the Executive Director

43. **Presentation.** Dr Mark Dybul, the Executive Director, thanked the government of Côte d'Ivoire and the Board Leadership, Committees and Secretariat for the organization of the meeting, then presented his report, summarizing progress in the fight against the three diseases, as well as current opportunities and challenges leading into the new Strategy. The presentation provided extensive data and analysis of (1) impact and results, (2) disease trends, (3) improved allocation of funding, (3) accelerating progress through focus on women and girls, health and education, and building resilient and sustainable systems for health; and (4) sustainable health financing, increasing domestic financing for health, and private sector engagement (GF/B35/26).
44. **Board discussion.** Japan commended the progress made, and reiterated the continued support of the G7 to the replenishment of the Global Fund, noted at the 11 April G7 meeting in Hiroshima. Global health will be a central focus of Prime Minister Abe's participation in upcoming conferences and summits, and the constituency welcomed inputs and suggestions from Board members in this context.
45. Point 7 commended impressive results and welcomed improved results reporting. The constituency supported the new Strategy's ambition, and specifically its focus on key populations, human rights and gender equality. With regards to risk oversight, Point 7 expressed concern about recurring trends in OIG country audit findings relating to oversight and mismanagement. The adoption of a strong new strategy, with a flexible allocation methodology and improved monitoring

framework, alongside increased focus on sustainability, transition and co-financing, represents a strong basis for the Fifth Replenishment. Lastly, Point 7 encouraged enhanced youth engagement to achieve a more effective response to HIV, malaria and TB.

46. The United Kingdom noted that the Global Fund is at a transition point, with impressive progress achieved, and with significant work remaining in the fight against the three diseases. In this context, effective and appropriate allocation of resources, and effective transitions are critical. The constituency welcomed the Strategy's focus on key populations, especially women and girls. Furthermore, the UK emphasized the link between the key policy decisions under consideration, delivering on the new Strategy, and risk management, in the context of the high proportion of global disease burden in highest-risk operating environments. The constituency called for focus on appropriate, focused and realistic Strategic KPIs and tracking of progress.
47. Germany emphasized the need for attention to HIV transmission among young women and girls in Africa, and requested an update on programs linking education and health in the reduction of HIV and Sexually Transmitted Infections ("STI") transmission, including the merits of promoting similar programs in other regions. **(Action item)**. Germany further underlined that the experience and the lessons learned from the ITP project should be reviewed and used for a more systematic planning and coordination of technical cooperation.
48. France commended the Executive Director's strategic vision, and noted the need to focus on issues raised by the OIG, and defining appropriate Strategic KPIs. The constituency noted that human rights matters must be addressed to fight the three diseases, including prioritization of key populations. Finally, the need to build the capacity of countries in transition was underlined.
49. The World Bank brought attention to their latest life expectancy report, demonstrating unprecedented improvements in life expectancy in sub-Saharan Africa, with many gains the result of malaria and HIV programs. The constituency paid tribute to the Global Fund and its Board, and partner organizations, for their role in achieving such results.
50. Partners commended the quality of the analysis and strategic thought in the Executive Director's report, extraordinary results, and three-fold increase in global health investments. The constituency cited the Wambo.org initiative as representing innovation in procurement, which will reduce costs and increase transparency and availability and pharmaceutical products. Regarding transitioning countries, the constituency underlined the critical role of partnership.
51. Canada, Switzerland and Australia noted the need to consider the SDGs holistically, including focus on partnerships and country ownership, in addition to direct financing. Successful delivery of the next Strategy will require both predictable funding as well as catalytic investments.
52. The WHO acknowledged the role of partnership in achieving the results to date. The constituency commented on the strength of the new Global Fund Strategy 2017-2022 and the WHO global health strategy for HIV, malaria and TB, and expressed commitment to ongoing partnership.
53. The Eastern Mediterranean Region constituency welcomed the differentiated approach and long term support embedded into the Strategy's objectives, and efforts to ensure proper sustainability and transition planning. The constituency underlined challenges faced by countries in the region, many of which are not eligible for funding or are in transition, yet need strengthened health systems before transition.
54. Developing Country NGOs provided a written statement (contained in Annex 3), and encouraged others to do the same so as to focus discussion time on key decisions.

55. UNAIDS recognized progress made, while noting slower progress in certain countries, and threat of losing the gains in others. UNAIDS expressed support for exploring different models of service delivery and partnerships, and for a full replenishment.
56. Eastern and Southern Africa called for increased focus on mitigation of the consequences of extreme epidemics.
57. Communities expressed concern regarding progress in the fight against TB, calling for close collaboration with Stop TB. The constituency called for issues related to community, rights and gender (“CRG”) to be tabled as an agenda item in future. Referring to the Equitable Access Initiative, the constituency looks forward to the integration of its findings and recommendations into Global Fund policies. Finally, the constituency called for closer collaboration with technical partners on data collection.
58. West and Central Africa welcomed financial and technical partnerships, including with PEPFAR and the United States President’s Malaria Initiative (“PMI”), and called for improved data on key populations in the region. The constituency expressed concern regarding drug resistance. Finally, the constituency requested further information on the impact of Ebola on grant implementation in affected countries.
59. Developed Country NGOs commended the Global Fund’s transformative impact on the world, the organization’s transparency in its efforts to improve its processes, expressed support for the new allocation methodology, and called for robust predictable allocations as well as strong catalytic investments. The constituency cautioned as to the need for increased funding for women and girls in Southern Africa, and called for continued focus on preventing further reversals in Eastern Europe and Central Asia.
60. **Executive Director response.** Dr Dybul thanked Board members for their support, and provided the following feedback in response to constituency comments:
  - Education and health are strongly linked. Areas in which the Global Fund has collaborated with DREAMS<sup>8</sup> have already demonstrated reduction in HIV incidence in adolescents and young girls. The Secretariat will continue to provide regular updates on the efforts under way in support of education and health.
  - Ebola crisis. Despite the impact of the Ebola crisis on health systems, LLINs campaigns continued in collaboration with WHO, and partnership with UNICEF to deliver preemptive treatment for children enabled disaggregation of malaria and Ebola.
  - Partnership. Reductions in gains or progress reversals need to be addressed in collaboration with partners, including with the European Commission, and with specific focus on key populations.

## Agenda Item 8: The Global Fund Strategy 2017-2022: Investing to End Epidemics

61. Mr David Stevenson, Chair of the Strategy, Investment and Impact Committee (“SIIC”), reminded Board members that the development of the Strategy is the product of a two-year process. He thanked the Vice-Chair of the SIIC, Dr Anita Asimwe, and everyone who worked hard to produce the document. The Chair of the SIIC thanked the Secretariat and Board members for their analysis and input, those who participated in retreats and the partnership forums, as part of a very inclusive

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<sup>8</sup> <https://www.dreamschallenge.org/a/pages/about-challenge>

process which has yielded a very solid strategy, a sound, focused allocation methodology and policy improvements.

62. Dr Harley Feldbaum, Head, Strategy and Policy, reminded the Board of the strategy development process. He highlighted what is new, what is not, and the process to operationalize. The process started at the Board meeting of November 2014, carried on through the Partnership Forums in Addis, Bangkok and Buenos Aires, the e-consultations, and with input from technical partners and the TERG, and many others. The Strategic Framework approved in November 2015 (GF/B34/DPO4)<sup>9</sup> has maximizing impact as its core goal.
63. Dr Feldbaum highlighted two enablers: the need to differentiate the model more, and to be working through partnerships. Following sharing of the draft with constituencies, about 200 pages of additional comments were received. These were considered by the SIIC, and two amendments were proposed, one describing the WHO's technical strategy on HIV, and a minor amendment to the language on resilient and sustainable systems for health ("RSSH").
64. Next steps. The next stage will be to develop the operational plans, supported by relevant policies, with a strong monitoring and evaluation framework and related KPIs, linked to the realities of program implementation. This will be supported by risk differentiation and management, and looking at the implications for differentiating staffing, budgeting and Secretariat operations.
65. The Board Chair thanked the SIIC leadership and members, Dr Feldbaum and his team for the hard work of the last two years and opened the floor for discussion.
66. General comments. Constituencies highlighted their support for the strategy, and expressed gratitude for the extraordinary outreach, inclusive consultation, and transparency during the development of the strategy. They stressed that, while approval is important, it is also key that everyone engages to ensure it is embedded at all levels of the Global Fund partnership, particularly at the country level. Constituencies also welcomed the incorporation of KPIs for each strategic objective. The strategy provides clear direction and puts the Global Fund's unique contribution to Universal Health Coverage ("UHC") and health security in context. Several welcomed the focus on highest burden of disease, and maximizing impact by investing where the countries have the least economic capacity. One constituency, supported by others, asked for more clarity on risk management, and would like to see it embedded in the implementation plans and reflected in a KPI (**Action Item**). They asked for clarity on how the Board and Committees will be involved in the development of implementation plans. The Global Fund Strategy should prompt a rethinking and changes in health investments.
67. Resources. While the Strategy is ambitious, the replenishment goals seem less so. The Secretariat or committees need to determine the financial resources required for full implementation. There is hope for a strong replenishment and commitment from key funders, who stated that this strategy will allow us to expand control of HIV, TB and malaria.
68. Sustainability, transition and eligibility. Several constituencies highlighted the importance of planning for this in all countries, whatever their position on the development continuum, in order to secure Global Fund investments to date. Several also noted that ending the epidemics is not possible without addressing concentrated epidemics. These are often among key populations whose human rights are violated and who have no access to justice or public health care. Transition must be seen as a process of preparing and strengthening systems for sustainability and scale up. The

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<sup>9</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/DPO4/>

Global Fund should continue investing in countries with concentrated epidemics, and work together on mobilizing domestic resources for prevention prior to transition, to ensure sustainability. Some were concerned about the potential speed of the transition process. They noted that realistic timeframes are needed for planning in areas such as legal reform, service integration, securing adequate national budgets, registering drugs, and developing mechanisms for governments to finance Civil Society Organizations (“CSOs”). The strategy’s emphasis on the poorest and most vulnerable was welcomed by many.

69. Differentiation. Constituencies supported this approach to maximize impact, but were keen to understand what this means at country level. In this context one constituency requested that the regional specificities on security and health be considered further by the Global Fund, as it implements its Challenging Operating Environments (“COE”) Policy.

70. Resilient and Sustainable Systems for Health (RSSH). Constituencies highlighted several points, which focused on the importance of investments in country-owned, context specific systems as a key contribution to achieving Universal Health Coverage (“UHC”) and the SDGs. Some constituencies wanted to know how resource allocation might be re-focused for this strategic objective. The International Health Partnership (IHP+) was mentioned, and the importance of coordinating with WHO on the RSSH agenda. Other points included:

- Constituencies were encouraged to see a stronger focus and more systematic approach to health systems and human resources for health, in-country procurement and supply chain systems, investing in critical gaps, access to services, strengthening data systems to ensure that all indicators are moving in the same direction and that integration and accountability exist for all.
- The focus on community health systems and responses was welcomed, with the observation that it may warrant its own KPI. This strategy emphasizes strengthening community responses and systems, which requires strong civil society and key populations participation in CCMs, yet the February CCM audit revealed almost half of the CCMs were not fully compliant with this requirement.
- On integration into existing Primary Health Care (“PHC”) systems, there has been extraordinary success in decreasing mother to child transmission and improving women’s access to ART. The focus on working with partners to support integrated service delivery was welcomed. Success in HIV and malaria was built on using existing platforms. This has led to improvements in under 5 survival, and a consequent youth wave until 2030, with nearly 40 to 60 % more adolescents, and increasing risks to young women.
- Integrated platforms for women’s, children’s and adolescents’ health are crucial, and the importance of the “every woman, every child, every adolescent” health strategy was highlighted, as was the need for greater attention to, and investment in, integration and research.
- Country ownership is crucial to success of the Strategy. Countries are aware of health systems limitations, but ultimately they need to drive the priorities.
- The funding application process could further encourage and advance joint planning, as demonstrated by joint HIV/TB concept notes, and more can be done in planning around cross-cutting issues.
- Given the importance of RSSH, one constituency called for the TERG to consider a prospective evaluation of health systems investments as a priority in its agenda (**Action Item**).

71. Human Rights and Gender. Constituencies welcomed the focus on key populations and young women and girls, but also hoped that young men will not be forgotten. Looking at gender

disaggregated data on the progress towards 90-90-90, the treatment gaps concern men. An example was given that 95% of women in many countries have been tested, and 40 to 80% of women are on treatment. However, 40 to 80% of men remain untested.

72. **Partnerships.** Several noted the important alignment to the global technical strategies (the WHO global health sector strategy, the UNAIDS Strategy, the Global Plan to End TB 2016-2020, the global technical strategy for malaria, etc.), collaboration with partners and alignment with the 2030 Agenda for Sustainable Development and its principles, which is critical to the success of the 2017-2022 Strategy. Constituencies highlighted the need for the Global Fund to not only focus on SDG 3 related to health, but also SDG 5 on gender, SDG 16 on governance and SDG 17 on partnerships. Partners will redouble efforts to assist countries to develop strong national strategies that will serve as a framework for addressing the three diseases. The increased attention to malaria elimination was also welcomed, as the goal of our investments is to end the epidemics. The challenge of TB and malaria drug and insecticide resistance was also highlighted. Comments on mutually accountable partnerships were endorsed, including with private sector partners. One of the key constraints, absorption, can be best resolved through strong partnership.
73. Dr Feldbaum briefly responded, by assuring constituencies that their comments would be taken into account. He emphasized that Universal Health Coverage is embedded in the strategy, that risk management is already a key part of Strategic Objective 1, and that in the implementation plans, risk management will cut across all areas.
74. Mr David Stevenson thanked everyone for their comments, which will be passed on to the next Strategy Committee.
75. **Decision Point.** The Board unanimously approved the Global Fund Strategy 2017 – 2022, as set forth in Annex 1 to GF/B35/02 – Revision 1, which included the aforementioned agreed amendments to the document initially presented to the Board (GF/B35/DPO4).

## Agenda Item 9: Allocation Methodology – Part I and II

76. Dr Harley Feldbaum presented the Allocation Methodology to the Board, as recommended by the SIIC. He noted that under the current allocation methodology, 92% of Global Fund investment is in low income and lower middle-income countries, and 95% in countries with the highest burden of disease. However, increased impact was possible through further refining the methodology based on lessons learned from the last allocation, including around scale-up, flexibility to move funds, and maintaining the level of essential services. In addition, while the Band 4 methodology protected gains, it did not address the needs of concentrated epidemics outside Band 4; incentive funding did increase expression of demand but was used largely to fill critical gaps; and key priorities for ending the epidemics were not always prioritized in the regional approach.
77. Dr Harley Feldbaum stressed that the next allocation methodology would take a holistic view, i.e. that all decisions would be considered jointly to better quantify their impact and to ensure that no one decision negatively impacted another. He noted that within the amount of available sources of funds, an increase in one aspect of the methodology results in a decrease in another thus refining the methodology based on a holistic approach was critical.
78. From the total sources of funds available for allocation that is approved by the Board, 15% is available for catalytic investments and for ensuring scale-up, impact and paced reductions through

country allocations. The amount for catalytic investments will not be more than USD 800 million, and will be available to finance multi-country approaches, to finance strategic initiatives, and to incentivize use of country allocations for strategic priorities, including for key and vulnerable populations, in line with the Global Fund and partner disease strategies.

79. Consultations with technical and community partners following the Board meeting will provide input to an initial prioritized list of priorities, initiatives or activities for discussion by the Strategy Committee at its June 2016 meeting. In Q4 2016, following the announcement of the replenishment amount, the final list of priorities for catalytic funding will be recommended to the Board in November via the Strategy Committee, in consultation with the Audit and Finance Committee on the associated costs of the priorities, activities or initiatives.
80. The amount of sources of funds available for country allocations will derive from the balance of the total sources of funds available for allocation less the total amount available for catalytic investments. After applying the global disease split to this amount available for country allocations, the technical parameters of the allocation formula for the 2017 – 2019 allocation period, as approved by the SIIC at its March 2016 meeting, will be applied. Within this overall amount available for country allocations, up to USD 800 million will be available to ensure scale-up, impact and paced reductions according to an initial approach that is applied as part of the allocation formula, which can be further refined through flexibility delegated to the Secretariat to achieve these aims, to arrive at a country component's formula-derived allocation. Should there be a need, sources of funds available for catalytic investments may be added to the sources of funds available for country allocations to further ensure scale-up, impact and paced reductions.
81. The next stage of the allocation methodology would then entail qualitative-factor adjustments to account for specific circumstances that are insufficiently reflected in the technical parameters of the allocation formula. This transparent and accountable qualitative adjustment process and the methodology for its application and reporting will be discussed and approved by the Strategy Committee at its June 2016 meeting.
82. Overall, the new allocation methodology is more impactful, simplified, flexible and predictable. The new methodology also includes a refined package of responses for concentrated epidemics amongst of key and vulnerable populations, further supported by the new Sustainability, Transition and Co-financing Policy, which outlines amended focus of application requirements and co-financing requirements to ensure uptake of core program components, including interventions for key and vulnerable populations.
83. Under the new methodology, the former grouping of countries into “Bands” will no longer apply, alleviating some of the constraints on flexibility attributed to the allocation methodology for the 2014 – 2016 allocation period.
84. Furthermore, the SIIC-proposed allocation methodology includes a simplified, evolved form of unfunded quality demand, whereby prioritized, costed needs that are registered at the time a funding request is submitted and reviewed can be a source for additional resources that become available throughout the allocation period and to provide a channel to reinvest efficiencies found during the grant lifecycle.

85. Dr Harley Feldbaum then provided a brief overview of the impact anticipated from the new allocation methodology:<sup>10</sup>
- Increased scale up in Africa, without abandoning middle income countries;
  - Significant increase in funding for the top 15 high burden countries in each disease;
  - Over 30% increase in funding to countries with extreme burden of disease for HIV and a similar increase to sub-Saharan African countries with the highest infection rates in women and girls;
  - Decreased level of funding to above-formula countries with lower burdens of disease;
  - Countries with high TB burdens will receive a 20% increase in funding, while countries with 5% or more of the global MDR-TB burden will see about a 35% scale up; and
  - Increases to countries with extreme, severe or high malaria burden.
86. In summary, the allocation methodology shifts funding towards the highest burden countries with the lowest economic capacity, with a series of refinements designed to address the needs of concentrated epidemics amongst key and vulnerable populations while improving flexibility, simplicity and predictability to achieve greater impact.
87. The Chair of the SIIC confirmed that the SIIC had considered a number of approaches and recommended this model after significant thought and deliberation.
88. **Board discussion.** In the discussion that followed, several constituencies appreciated the flexibility afforded by the proposed methodology, as well as simplified process, the increase in funding to countries with highest burden of disease, the increased flexibility and the use of catalytic funding. It was felt that the new methodology would allow greater impact on concentrated and generalized epidemics, stressing the importance of a holistic overview to maximize coordination with other donors and bilateral partners to avoid duplication. The methodology's continued focus on countries with the lowest economic capacity and highest disease burden was seen as critical, while at the same time supporting activities in middle-income countries with key and vulnerable populations, and achieving scale up and impact through catalytic funding.
89. Many comments focused on the approach to catalytic investments, which was seen as key to maximizing impact and allowing scale-up, if applied through an inclusive and transparent decision-making process. The Communities, Developed Country NGO, Developing Country NGO, and EECA Board Delegations stressed the importance of catalytic investments to maximize impact. Some concern was expressed that catalytic investments could lead to an automatic extension of current special initiatives without an assessment of sustainability, especially if these do not form part of a country's national strategic policy. Some constituencies felt that the funding foreseen for catalytic investment was not enough, and the use of the phrase "up to", in reference to the upper-ceiling aggregate amount being "not more than" USD 800m, could create uncertainties. However, catalytic investments were seen as a clever evolution of beyond allocation aspects of the methodology (e.g., incentive funding) and should be focus on accommodating priorities that either cannot be addressed through country allocations, or would otherwise catalyze the use of country allocations to further achieve strategic objectives and priorities.

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<sup>10</sup> As presented in GF/B35/05 – Revision 1, modelled for illustrative purposes with the assumption of a USD 13bn replenishment resulting in an approach where USD 11.1bn is the amount of sources of funds available for allocation, following an illustrative 7.5% adjustment for technical considerations (including conservative approach to foreign exchange) per Comprehensive Funding Policy, and USD 0.9bn for operating expenses over the 2017-2019 period. Estimates to be updated accordingly based on the outcome of the 5<sup>th</sup> Replenishment.

90. Maintaining a simplified, evolved form of the current UQD was seen as beneficial, with several constituencies recognizing the opportunities provided by this conduit for generating additional resources.
91. The importance of country ownership in the new methodology was noted, as was continuing technical assistance to communities. Clarification was requested on what would be required for countries to submit a full expression of demand under the new methodology, and further information on how adjustments for key and vulnerable populations could be incorporated in reference to previous SIIC discussions on options for doing so. Other comments included the need to ensure alignment of the allocation methodology with the 2017 – 2022 Strategy, and the importance of proactive thinking to avoid potential harm in countries that may receive reduced allocations, in particular where there are concentrated epidemics amongst key and vulnerable populations.
92. It was suggested that absorptive capacity-based reductions to funding should be accompanied by additional funding for capacity building to avoid a cycle of underfunding countries that have the greatest need, but the weakest capacity. Another suggestion was to implement a mid-term assessment of the strategic adjustment to allocations and the resulting funding status across the whole portfolio. It was also noted that although the formula-driven funding promotes saving lives, it is not as successful in helping end the epidemics and catalytic investment could be used to help low-burden countries moving towards elimination. For example, progress on malaria has reduced prevalence to low levels in some countries but without sufficient funds for elimination, the gains will be lost.
93. Before the end of the first session on the allocation methodology, the Chair of the SIIC noted that the members of the SIIC in Abidjan would review proposed amendments before the scheduled discussion for the following day of the Board meeting.
94. The Chair of the Board opened the second session on the allocation methodology by reminding participants that reaching a decision would be critical towards ensuring timely allocations for the 2017 – 2019 allocation period, and invited the Secretariat to update the Board on the outcomes of the overnight discussions on proposed amendments to the SIIC's recommendation to the Board.
95. The Secretariat summarized the following three amendments agreed by the SIIC that resulted from discussions around a series of additional amendments proposed by various constituencies:
  - The first amendment to paragraph 27 of the background paper on the allocation methodology related to amendments to the description of the simplified evolution of unfunded quality demand whereby countries are encouraged to develop a set of key additional, evidence-based, prioritized and costed needs for programming, should resources become available.
  - The second amendment was to add the following as one of the possible qualitative factors that could be applied to adjust formula-derived allocations: “adjustment factor for populations disproportionately affected by HIV and TB, and in low endemicity malaria settings.”
  - The third amendment was to modify the threshold by which qualitative-factor adjustments would be reported to the Board through the Strategy Committee where any changes in funding resulting from qualitative factor adjustments exceed USD 5 million (previously recommended at USD 30 million) and 15 percent.

96. The Secretariat then presented a timeline that summarized the respective responsibilities of the Board, Audit and Finance Committee and Strategy Committee with respect to remaining reviews, recommendations and decisions starting from the June 2016 committee meetings through the remainder of 2016 to ensure a timely launch of the 2017 – 2019 allocation period.
97. In the discussion that followed, a proposal was received to remove the language that catalytic investments would be up to USD 800 million.<sup>11</sup> As such, the Developed Country NGO constituency proposed to amend the allocation methodology by removing the language that set USD 800 million as an upper ceiling, rather than fixed amount, for catalytic investments. While the Board agreed with the three amendments presented above, it did not agree to this proposal.
98. **Decision Point:** The Board then approved, with one abstention by the Communities Delegation, the allocation methodology with the inclusion of the amendments regarding the description of the evolved, simplified approach to UQD, additional qualitative adjustment factor and the threshold of USD 5 million and 15-percent for reporting changes due to qualitative adjustments (GF/B35/DP10). In reference to the simplified approach to UQD, the Communities Delegation emphasized the importance of full expression of demand and noted concerns to that regard under the new allocation methodology, particularly with respect to the level of such demand expected to be submitted by countries under the new allocation methodology.

## Agenda Item 11: 2015 Financial Performance, 2015 Annual Financial Report & External Audit Opinion, 2016 Projections

99. The Chair of the Board opened the session by expressing his thanks to Ernst & Young, the Global Fund's independent external auditor ("EY", or the "External Auditor"), for their work and contributions to the Global Fund. EY joined the session virtually from the Secretariat in Geneva.

### 2015 Annual Financial Report

100. **Secretariat presentation.** Mr Daniel Camus, the Chief Financial Officer ("CFO"), presented the 2015 financial results, the 2015 Annual Financial Report, which contains the audited 2015 Consolidated Financial Statements, and the audited 2015 Statutory Financial Statements (document GF/B35/09). The CFO noted in particular the clean and unqualified audit opinion received from EY and that there were no outstanding management letter points at 31 December 2015.
101. **External Auditor Opinion.** Mr Laurent Bludzien, Auditor-in-Charge at EY, confirmed EY's independence, and presented the external audit opinions for both the 2015 Consolidated Financial Statements and the 2015 Statutory Financial Statements. Mr Bludzien stated that the 2015 Consolidated Financial Statements represent a true and fair view of the financial position of the Global Fund, the results of operations and cash flows, in accordance with International Financial Reporting Standards ("IFRS") and comply with Swiss law. He further confirmed the existence of an internal control system designed for the preparation of financial statements. The 2015 Statutory Financial Statements were confirmed as being in full compliance and in accordance with Swiss law and the Global Fund's By-Laws. On the basis of the two unqualified audit opinions presented, the External Auditor recommended Board approval of the 2015 Financial Statements.

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<sup>11</sup> The exact language in Article 3.a. and 3.b of the allocation methodology, as set forth in Annex 1 to GF/B35/05 – Revision 1 states that "no more than USD 800 million will be used for catalytic investments",

102. **AEC recommendation.** Mr Graham Joscelyne, Chair of the Audit and Ethics Committee (“AEC”), emphasized effective collaboration between the AEC and FOPC to ensure robust oversight of the organization’s financial performance and external audit, and underlined the AEC’s comfort with recommendation to approve of the 2015 Annual Financial Report, including the 2015 Consolidated Financial Statements and the 2015 Statutory Financial Statements, for Board decision.

## 2016 Projections

103. **Secretariat presentation.** The CFO also provided detailed analysis regarding the 2015 actual financial figures, including OPEX and 2016-2017 financial perspectives covering forecasted figures for (i) contributions and cash receipts; (ii) conversion of pledges for the 4th Replenishment period; and (iii) an updated Mid-Term Plan (the “MTP”), reflecting the latest view of the Global Fund’s financial situation for the 2016-2018 period. Specific updates included:

- **Grant financials.** The TRP and GAC have now reviewed 97% of the 2014-2016 allocation, resulting in an increase in commitment and disbursement. Disbursements are anticipated at USD 3.7 billion (in 2016) and 4.0 billion (in 2017) respectively.
- **Cash balance in country.** Strict monitoring, centralization of disbursement and a risk-optimized approach, have enabled stabilization of the in country cash balance at USD 1.1 billion, with approximately USD 0.95 billion attributed to the top 20 countries with the highest cash balances.
- **Shortened grants.** Since provision of first estimates to the FOPC in September 2014, the projected shortened grant duration funding need has decreased from USD 1.8 billion to USD 0.7 billion.
- **Foreign exchange.** The CFO summarized foreign exchange rate volatility over the last two years. Since May 2015, foreign exchange risk have been mitigated by hedging operations.
- **Asset Liability Management (“ALM”) and portfolio optimization.** The CFO outlined the risk-adjusted analysis on sources and uses of funds for the 4<sup>th</sup> replenishment period, totaling USD 17.2 billion at 31 December 2015 measured at replenishment FX rates. After factoring in the expected reduction in pledges, the net foreign exchange impact and in-country funds-utilization rates, there is a positive ALM balance for the 2014-2016 period showing that sources of funds exceed uses of funds by 6.1% or USD 1.04 billion. On this basis, the CFO further informed the Board about the FOPC approval of USD 700 million for portfolio optimization towards priority uses of funds originating from the 2014 – 2016 allocation period.
- **Zero-Based Budgeting (“ZBB”).** The CFO informed the Board of the implementation of ZBB, in the context of ensuring the Secretariat is resourced to deliver against the new Strategy.

104. **Board discussion.** Constituencies thanked the Secretariat for a clear and improved 2015 Annual Financial Report. Further commentary welcomed the way forward on shortened grants in the context of the portfolio optimization approach, and looked forward to results of the Implementation through Partnership project and impact on in-country cash balances.

105. Regarding the implementation of the portfolio optimization approach, a number of constituencies requested clarification or the policy on prioritization of re-optimization of funding including guidance on prioritization of components included in the UQD Register. Also, they requested clarity on oversight arrangements, and reporting to the committees in June 2016 and to the Board, in due course. Further recommendations related to supply chain management and development of an action plan to address weaknesses in country distribution and supply-chain processes.

106. **Secretariat response.** The CFO confirmed that the Board and the committee with oversight of financial matters will continue to receive quarterly update reports on key financial data. Further, the CFO reiterated that having completed multiple simulations, the USD 0.7 billion re-optimized through the portfolio optimization approach is a prudent amount. Jason Clark, Head of Program Finance and Controlling, confirmed that an action plan had already been put in place to improve procurement and improved processes for supply chain at country level, specifically regarding the reconciliation of PPM orders to delivery.
107. **Decisions.** The Board unanimously approved the Global Fund's 2015 Annual Financial Report, which included the audited 2015 Consolidated Financial Statements (GF/B35/DP05), and the audited 2015 Statutory Financial Statements (GF/B35/DP06).

## Agenda Item 12: The Global Fund Eligibility Policy

108. The SIIC Chair introduced the session, informing the Board that the policy had been revised taking into account the work of the Equitable Access Initiative (the "EAI"), which had proposed classifying income based on an average of GNI data over the last three-year period.
109. The Secretariat summarized the eligibility policy as setting out the criteria under which eligibility of individual country components for receiving an allocation is determined. The current policy has been developed over several years, including an extensive Board consultation process in May 2011, and further amendments in November 2013 in advance of the 2014 – 2016 allocation period, which included the provision of up to three years of Transition Funding for the allocation period immediately following a country component's change in eligibility.
110. Key revisions proposed for the new policy include explicit mention that eligibility does not guarantee an allocation and further clarifying that a country component must be eligible for two consecutive eligibility determinations before becoming eligible to receive an allocation. Another revision, as mentioned above, is the use of a three-year average GNI for income classification, as recommended by the EAI and the TERG, to moderate both the rate of transition in and out of the Global Fund, rapid changes in GNI and to avoid rapid changes in eligibility. Other measures include clarifying the ability of all countries to use allocations for RSSH needs, in accordance with relevant application focus requirements, as well as other clarifying language for existing provisions.
111. The use of a three-year average GNI was supported, although the Global Fund should continue to look for additional ways to measure economic capacity, including the TERG-recommended approach of using expenditure per capita and ability to pay, as well as looking at other public health indicators to take into account treatment gaps and human rights barriers (**Action Item**). The proposed approach that eligibility does not necessarily guarantee an allocation received general support, but countries potentially losing their eligibility status should be informed as soon as possible. Broadening of eligible components for RSSH was supported, given that establishing a solid national health system to process all activities was a key goal, and the Global Fund should continue to work with partners to benefit from their RSSH expertise and to avoid parallel systems.
112. The Strategy Committee should continue monitoring eligibility criteria in the context of achieving the goal of ending the diseases, protecting gains and ensuring elimination. Among the areas noted for potential further review and consideration where the indicators used to classify or set eligibility criteria.

113. More emphasis on the burden of risk and epidemiological trends was suggested, including a proposal to shift from countries and income levels towards location and population distribution of the three diseases through development of sub-regional plans. It was felt that allocations should be based on realities on the ground, to avoid the risk of neglecting concentrated epidemics.
114. It was also agreed that countries require support to develop and implement transition plans, in particular countries with important needs in service coverage for which the transition period may not be sufficient. In addition, there are limitations to using disease burden criteria in countries with weak health systems, and further information was sought on the criteria for establishing the burden of TB.
115. **Secretariat response.** The Secretariat responded that an eligibility list is published on the Global Fund's external website each year following the release of updated income data from the World Bank and updates on disease burden metrics from UNAIDS and WHO. The eligibility list that will be used for the 2017 allocation will be published after making eligibility determinations based on updated data. Some examples where country components can be eligible, but not receive an allocation including where they have had no recent Global Fund financing either due to previous changes in eligibility or where the Global Fund has never funded grants in such country.
116. It was confirmed that the EAI and SIIC had considered criteria other than GNI for determining income status, such as health metrics, however there are challenges in accessing good quality data which is regular, reported and accurate.
117. The Secretariat explained an amendment to clarify and restate the eligibility rules that apply to upper middle income countries designated as a "Small-Island Economy" exception to the International Development Association lending requirements. As such, the following footnote was added to paragraph 10 of the Eligibility Policy: "UMICs designated under the 'small island economy' exception to the International Development Association lending requirements, are eligible to receive an allocation and apply for funding from the Global Fund, regardless of national disease burden, as outlined in Paragraph 7. of this Policy".
118. **Decision Point.** The Board unanimously approved the revised Eligibility Policy, as set forth in Annex 2 to GF/B35/06 – Revision 1, which included the amendment described above (GF/B35/DP07).

## Agenda Item 13: Sustainability, Transition and Co-Financing Policy

119. The Board Vice-Chair introduced the topic by noting that codifying the Global Fund's approach to sustainability and transition is a major step forward. It represents a proactive approach to planning, and a movement towards a systematic approach to sustainability and transition.
120. The Chair of the SIIC recalled the origins of the discussions on this policy, and how it helped trigger the Equitable Access Initiative and the Development Continuum Working Group. The policy helps define the differentiated, proactive engagement by the Global Fund to support countries in planning sustainable responses and successful transitions from Global Fund financing.
121. Dr Harley Feldbaum, Head, Strategy and Policy, pointed out the policy is framed in strategic objective 1 of the new strategy and gave the presentation available on [BoardEffect](#). He noted that a specific transition team will be created inside the Secretariat to manage the complexities of this

policy, with expertise on human rights and key populations, and macroeconomic issues on health spending (**Action Item**). Friendly amendments were submitted regarding the definition of key and vulnerable populations and an edit on implementation and on regular reporting.

122. **Board discussion.** Several constituencies noted that this approach could be of interest to other organizations faced with similar challenges. It was pointed out that 1 % of global health financing is international and the rest is domestic. In many of the highest burden countries, over half of the financing for HIV is international, and ultimately, some convergence have to be achieved. In recent years, many of the highest burden countries have allocated less of their budget to health, which is a rational response to the growth of international health financing, but not a sound long-term approach. It was emphasized a collective responsibility to support Ministers of Health to make the case to their governments for the necessity to invest in health.
123. Points were also made that many of the countries with the highest burden of HIV have some of the lowest rates of fiscal capture and spend a higher proportion trying to capture those funds. Higher government allocations to health and a focus on greater fiscal efficiency are important for effective transitions and sustainability. The importance of absolute clarity, absolute predictability and advanced forewarning was stressed. Information was requested on how many countries are within one allocation cycle of a transition.
124. Constituencies appreciated that transition plans should have interventions that respond to key vulnerable populations, human rights, and are gender-related. Countries have to be the key leaders in developing the plans for transition and running it within their funding envelopes and their programs. Multiple donors are holding conversations with countries at the same time, and there should be some formal coordination. NSPs are best viewed as high-level strategic visions for the country, not necessarily costed prioritized plans. The policy states that the Global Fund will invest in, and provide support for, the development of robust and quality evidence-based national health plans, but the boundaries need to be clear. These are the country's plans, not necessarily tailored to what will meet a funding application, or what the Global Fund wants to do, but where the countries want to go and how the Global Fund can be supportive of those goals. Several constituencies mentioned that it is a matter of policy dialogue with countries, not just resources, as this dialogue is a shared partner responsibility.
125. Timelines. The ultimate target was expressed as a sustainable system in a country to maintain the gains and to have the capacity to continue to be in a position to deal with other emerging conditions. Transition is not an event, but a process and an exit strategy. Transition needs to take account of countries with a challenging environment and where the process will take longer. Some expressed concern that countries in transition, or facing it, have not had the necessary time to reflect and plan adequately. Constituencies asked to be provided with information on the trajectory of all countries, the timeline for transition and specific information on countries that have already transitioned (particularly if the situation gets worse), and what would be the necessary policy steps that should be planned in advance? Transition planning requires a period of predictability, so the eligibility list needs to project forward over a medium to long-term horizon, not just year by year. The Global Fund should be aware of other donors' plans for transition or scaling back, collaborate, and consider them for preparedness.
126. Some constituencies raised concerns that countries in transition or facing it in the next couple of years will not benefit from the 10-year planning process, with the result that some people may be left behind when countries transition. Flexibility is required to provide them with support and to avoid countries needing to return to Global Fund financing in the future because of increases in disease burden, and associated expanding treatment and prevention gaps. Clarification was

requested on the number of countries actually in transition and how the policy could be used to address issues related to inadequate preparation. Further, would additional funding be made available to continue services in grants that had closed as part of a country's transition, but where this had been unsuccessful so that countries were now re-appearing on the eligibility list due to increasing levels of disease incidence. However, the Global Fund should not dictate a country's transition plan, which should involve a collaboration with countries and partners, with the CCM as the driving force. Differentiation and alignment to national strategies is crucial, and while lessons from other country experiences are useful, each country requires a transition plan aligned to its own specific context. The Secretariat confirmed the need for predictability and for the policy to be flexible. Countries currently in transition make up a portfolio of about USD 10 million, and the Secretariat's intent was to carry out some analysis to identify the main risks and would inform the Board when this had been completed. The list of transitioning countries was also under preparation, but this was a complex exercise as it involved projecting disease burden, and this can be difficult due to the quality and accuracy of available data. As such, the list of projections was not currently available. With respect to the STC Policy, it is designed to be forward looking and applied across the portfolio in accordance with the Eligibility Policy. The Secretariat described further, as captured in paragraph 132 below, how the policy would be implemented as well as how it would evaluate and inform the Board about the country components already experiencing the transition process.

127. As for a differentiated approach, it would be interesting to discuss what went wrong in countries that transitioned, what is the situation of key populations, in order to adjust policies in advance and develop a more proactive position. Finally, the Global Fund needs to work with other global health actors to implement agreed plans in transitioning countries.
128. Co-financing, alignment and predictability. Several welcomed the possibility for health financing strategies to mobilize additional resources and to seek cost efficiencies. Graduated co-financing requirements are needed to ensure that countries take up core program components, like interventions for key and vulnerable populations. Some were concerned about potential 'unintended consequences' of co-financing, such as the diversion of resources from health systems needed to support disease programs. One constituency asked for a stronger KPI on co-financing as the current one might not incentivize progressive commitments. Constituencies asked for respectful engagement with countries on co-financing and its implication for sustainability. Technical partners expressed willingness to support transition with innovative delivery, effective health technology and support on funding through innovative mechanisms. Stronger coordination is required at country level between partners, donors and civil society, and a joint approach to ministers of health and finance, and parliamentarians, to encourage greater government investments. There are concerns that when a country's status changes based on GNI, procurement prices may increase, leading to treatment and prevention gaps. Clarification was requested on: which countries are transitioning now; how much advance notice they get; and what the policy means for them considering that they did not have a chance to prepare adequately. Regular updates will be requested from the Strategy Committee. The Global Fund should work through the CCM in determining how NSPs are prioritized and costed, and should be country driven, not driven by the transition agenda. It is key that CSOs, partners, private sector and others are engaged in transition planning. The legal environment and principles for protecting human rights, gender equality and key populations should be reflected and requested as part of the readiness assessment and transition plans. Monitoring and measuring the implementation of the policy needs clarifying. Constituencies stressed that transition is not only about control of HIV, but also malaria and TB elimination. One delegation flagged that governments face many competing requests for domestic financing, and the Global Fund needs to make a case carefully in the context of the country's existing budgeting methodologies.

129. Some expressed concern that some populations may be left behind when countries transition and would like to hear more about how the policy will help reach the 90-90-90 targets, which need to be achieved to avoid future gaps.
130. The emphasis on strong national health and financial strategies is strongly supported, but these need to be country-driven. Integration of financial management into national health systems is important for transition and sustainability. Gradual integration of Global Fund processes for grant management at country level should be encouraged. Mechanisms should be put in place to monitor the impact of co-financing on health sector wide allocations, as should be a strategy to mitigate or manage that risk. Statistical capacity should be addressed in transition plans and the process should include KPIs to monitor progress and detect bottlenecks. The ability to complete transition in 3 years after loss of eligibility should be assessed country by country.
131. Domestic financing. Transition towards domestic funding is a country led process, and entirely different from grant implementation. Besides the ministry of health, it involves the ministry of finance, social development and engagement by civil society and communities. Transition plans cannot be dictated by the Global Fund, or its committees, but should involve a collaboration with countries and partners. The CCMs should be the key players of transition. Differentiation and alignment to national strategies is necessary and crucial.
132. Dr Mark Dybul thanked those who had injected a human element to the discussion. The Secretariat will exercise flexibilities in the policy and update the Strategy Committee and Board on implementing the policy, as well as any challenges that may arise and require case-specific review and consideration. With respect to the country components that did not receive an allocation for the 2014 – 2016 allocation period, including Transition Funding, and will no longer receive Global Fund financing beyond their existing grants, the Secretariat will review the challenges and progress towards transition for such programs and report to the Board through the Strategy Committee. The previous ED report to the Board mentioned the importance of building Secretariat capacity to look at transitioning. Few institutions have the expertise and the Global Fund is engaging the World Bank, regional development banks, the Islamic Development Bank and the IMF, which work on revenue capture and financial capacity building.
133. In the case of large countries that will transition in the next 5-6 years, embedding of expertise in the country team will take place and working with partners will be key. As constituencies have emphasized, it is not just about money but also about policy dialogue, which is being addressed through regional initiatives and continued catalytic support to civil society strengthening efforts. Ending epidemics requires a global movement, not just the countries supported by the Global Fund.
134. Dr Harley Feldbaum explained that work is underway to provide the transition list. Projections are challenging, especially on disease burden, but discussions will be held with partners about the accuracy of data. There are examples where domestic financing has started to take over. The experience of past transition contexts has been examined and will be used for future operationalization of the policy.
135. One delegation asked for confirmation that the twelve countries mentioned as transitioning will access the readiness assessments before they leave and that the new policies will apply to them.

136. **Secretariat response.** Dr Feldbaum replied neither he, nor the Board, should set specific grant management actions in countries. Conversations will take place with country teams to determine the extent of current planning, as their transition was not anticipated. The new policy will apply to all countries where programs are being funded.
137. Dr Feldbaum acknowledged that one of the key steps is the development of a list based on projected data and the eligibility criteria approved by the Board earlier. What is known is that the focus is on sustainability and transition of upper-middle income (UMICs) and lower-middle income countries with lower burdens of disease. This is where efforts need to be put in place but these issues need to be addressed more broadly, not only in these countries.
138. **Decision Point.** The Board unanimously approved the Sustainability, Transition and Co-financing Policy, as set forth in Annex 1 to GF/B35/06 – Revision 1, which included amendments related to clarity and consistency in the definition of key and vulnerable populations, alignment with a clarification amendment to the Eligibility Policy with respect to upper middle income countries designated under the “small island economies” exception to the International Development Association lending requirements, and regular reporting to the Strategy Committee on policy implementation (GF/B35/DPO8).

## Agenda Item 14: Challenging Operating Environments Policy

139. The Secretariat provided an overview of issues related to challenging operating environments, including the concept note development process, which is often delayed in the midst of emergencies, natural disasters, conflicts, or where governments do not have control of all their territory.
140. The policy presented to the Board was developed through a wide consultative process as well as the experience of country teams. It signals a shift in approach to Challenging Operating Environments (COEs), which have made the least progress towards the MDGs. The COE classification is made by the Secretariat based on a composite external risk index that compiles data from 10 published indices covering economic, governance, operational and political risks.
141. The COE policy is adaptable to different settings, from emergencies where interventions may be quite limited to chronic settings where the focus is on building resilience, sustainable systems for health, addressing human rights and gender related barriers, and including and adapting to refugees and internally displaced persons. Under certain criteria, the COE policy allows for the continued funding of refugees from eligible countries whilst residing in ineligible countries, for example, Syrian refugees based in Lebanon and Jordan.
142. The policy is based on the following principles: (i) increased flexibilities - tailoring programs for impact, and managing the biggest risk we face of not reaching the people that we need to reach - but also protecting Global Fund financing in risky environments; (ii) increased partnerships with actors in conflict-afflicted states; and (iii) innovations for service delivery. Next steps include continued learning, further consultations, strengthening of partnerships and in conjunction with a COE team with specialized expertise.
143. The Board welcomed the new policy noting that this is the first COE policy for the Global Fund. The critical importance of the additional flexibilities afforded by the new policy were

acknowledged, in particular in relation to effective mitigation of risk and risk tolerance. Clarification was requested around the process of defining countries as COEs, as well as the different factors involved, such as acute crisis or emergencies, versus governance issues or structural difficulties. Updates were requested from the Secretariat on how grants are managed and the challenges faced in COEs.

144. Several constituencies praised the process which had led to the development of the COE policy, in particular the inclusion of input from LFAs, CCMs, UNDP and ICRC, and stressed the importance of continuing to build partnerships with humanitarian agencies and mechanisms, private sector, stakeholders beyond the health sector, and civil society and communities.
145. Strengthening links with partners in-country is seen as key, and it is important to ensure that if alternative implementing modalities are being considered, priority is given to those already existing in-country. Building resilient and sustainable systems for health remains a fundamental pillar of the new policy, in line with ongoing global policy discussions about bridging the humanitarian and development divide. The more challenging the operating environment, the more partnerships are needed, including those with community-based organizations. Grant implementation in COEs requires a high level of technical support, capacity building and stronger partnerships. In addition, it was felt that the matrix of performance for COEs should not necessarily be the same as for non-COE contexts.
146. Other comments included support for continuation of the emergency fund, and the emerging multi-country Middle East initiative. It was noted the twenty countries currently classified as COEs include some large Global Fund portfolios, and care is needed to maintain a balance between financial and programmatic risks in these contexts, and how these are reported to the Board. The need to consider human rights emergency situations and gender issues, as women and children are among the most vulnerable groups in COEs. Linked to that, some countries are facing multiple and complex emergency situations as a result of the refugee situation, and some CCMs and governments may need to look for alternative approaches for sustaining service delivery to key populations.
147. In response to the comments, the Secretariat agreed that flexibility is very important, especially with regard to monitoring and evaluation, but this should not result in any decrease in accountability. The policy also allows for flexible application of other Global Fund policies, for example COE countries may continue to receive funding in cases where they remain classified as a COE, despite changes in eligibility.
148. **Decision Point.** The Board unanimously approved the Challenging Operating Environments Policy, as set forth in Annex 1 to GF/B35/o3 (GF/B35/DPo9).

## Agenda Item 15: Key Performance Indicators Part I: Performance Against 2015 Corporate KPIs

149. Mr Daniel Camus, Chief Financial Officer (“CFO”) summarized the performance of the Global Fund against its 2015 KPI targets. For eight KPIs the Global Fund is on track, while it fell short against the Board-approved targets on five KPIs, of which three related to performance, one to lack of data on HSS and one KPI related to methodology of value for money.

150. Human rights. Performance of the KPI on human rights protection fell below expectation due to a lack of complaints made for human rights violations. The Board must decide whether this indicator should continue to track the number of complaints submitted or rather, for example, to track the impact of programs in place to reduce legal barriers to sensitizing people on human rights. It was further noted that there is only one type of complaint that can be managed by the Global Fund, which is violations committed by Principal Recipients (“PRs”). Contextual risks to human rights violations created by a country’s legal framework is beyond the Global Fund’s remit. One constituency noted that the low number of complaints reflected on the KPI on human rights may be due to local communities prioritizing national human rights institutions, rather than the Global Fund, when they seek protection.
151. KPIs review. Before the 35<sup>th</sup> Board Meeting, constituencies had asked for a written response on each off-track or at risk KPI, stating why progress for some KPIs are below target, lessons learned and mitigation plans. Several constituencies thanked the Secretariat for providing such a detailed report noting that mitigation plans could be further elaborated and better contextualized for several indicators at risk. Likewise, KPI methodology in terms of being fit for purpose, and data availability for several indicators, warrants further analyses.
152. HSS. The Board reinforced the proposed methodology for the HSS indicator has proven challenging for tracking purposes and therefore advised against relying on surveys undertaken only every three years. In addition to lack of available data to monitor HSS, which is a reflection on the weaknesses of those systems, one constituency further noted that the pace of improvements in procurement is also tied to failures in health systems.
153. On value for money the Board showed appreciation regarding efforts to find alternative measures to capture and better define value for money.
154. **Secretariat response**. The Secretariat acknowledged that KPI 10 is a partial definition of value for money with many limitations that have been brought up by the Board over time. Progress on this indicator was limited by grant signing delays and which were incorporated into the forecast of expected results. All the challenges and concern raised with respect to the KPI on human rights were also acknowledged by the Secretariat; the CFO referred to the ongoing work for its improvement with respect to its definition and measurement.
155. Before closing the session, the Secretariat referred to the KPI on HSS and stated that the original intent was to source the data from in-country surveys, as this approach did not yield the expected achievements. While it is anticipated that by next year there will be additional data from several countries, this KPI should be able to capture a much larger and diverse sample of countries for this indicator to be useful for tracking purposes. Lastly, the results on KPI 9 measuring the effectiveness of operational risk management have not changed over three years, in large part due to the insensitivity of the measure where increases in risk in some areas are offset by reductions in others.

## Agenda Item 16: Key Performance Indicators Part II: 2017-2022 Strategic KPI Framework

156. Timelines. There was a request to postpone the Board decision to approve the 2017-2022 Strategic KPI Framework (the “Framework”) to allow the Board more time to reflect on the proposals. One

constituency underscored the importance to approve a final Framework in the coming weeks, ahead of the Replenishment Conference for the Fifth Replenishment of the Global Fund.

157. Domestic investments. KPI 11 captures only domestic funding toward the three diseases. Measuring overall domestic investments on health would avoid incentivizing and prioritizing domestic funds for the three diseases.
158. **Secretariat response**. The CFO stated that the 2017-2022 KPI Framework was developed based on past experience, keeping a reduced number of indicators to be presented together with the new strategy. The Framework comprises a total of twelve KPIs, including two strategic targets and ten strategic KPIs aligned with the four objectives in the strategy. This work was developed in close collaboration with technical partners and in consultations with the Board.
159. The Secretariat briefly described the consultation process, including the creation of working groups leading to the finalization of the set of KPIs submitted to the Board for approval. One of the working groups focused on selecting the best available indicators to measure the major areas of service delivery funded by the Global Fund across the three diseases. The major challenges in determining which approach to use revolved around i) the availability and quality of data; ii) the extent to which the Global Fund is accountable for those results; and iii) how to interpret the measurement and the Global Fund's role. It was also noted that accountability and data quality might be higher by focusing on specific countries rather than the entire Global Fund portfolio. Furthermore, during the consultations there was working group consensus that the proposals to measure resilient and sustainable systems for health as a strategic KPI were appropriate, and it was proposed to add a measure on alignment of concept notes with national strategic plans to this measure. Furthermore, there was considerable discussion about the type, amount and appropriateness of thematic reporting.
160. With respect to timeliness of reporting, impact measurement is less frequently available than some of the routine data collected closer to the input and output stage of the results chain. Progress should be examined against the implementation plans and the achievement of expected milestones. On the proposal to add a KPI on risk, it was stated that the Board already receives comprehensive reports in this area.
161. Dr Dybul thanked everyone for their input and contribution to the development of the Framework, and underscored that the vote to approve it could be postponed as requested by several constituencies. As such, additional time would allow for work on long lasting issues like contribution and attribution.
162. HSS. The Board sees value in maintaining a KPI for HSS given, among other reasons, its importance for transition approaches. Alignment of the HSS indicator with the National Strategic Plans in terms of TRP evaluation of such plans was also an area of interest raised by the Board. The Communities Delegation proposed adding a sub-indicator which would reflect the advances made in strengthening community systems and responses.
163. The KPI Framework. Several constituencies thanked the Secretariat for a comprehensive and informative KPI Framework. Efforts were welcomed to strengthen existing partnerships and data systems to better capture gender and age disparities. The Framework should be formed by a set of indicators whose underlying data is easily available for regular reporting at a more granular level. There was a proposal to develop an operational KPI for each sub-objective that is not covered by the Strategic KPI in the new Global Fund strategy. Further, the Global Fund could explore alignment of the Framework with KPIs used by other relevant institutions.

164. Human Resources for Health (HRH). Several constituencies raised concern about gaps around HRH monitoring and the potential associated risks given its linkages to HSS. Health worker density and distribution per 1,000 population could be used as measurement.
165. Data. Concern was voiced about the challenge in the lack of data on access to services for adolescent girls in the 10 to 19 age bracket, as well as for women, children and key populations.
166. Contribution versus attribution. One constituency expressed its preference for focusing on measuring contribution, in the context of considering the Global Fund's influence to reach key populations.
167. Availability and affordability of health technologies. For mature products, the Global Fund should look at the uptake and sustainability of price reduction for such products while promoting the introduction of new ones.
168. Gender and age. A question was raised regarding why KPI 8 focuses mainly on HIV.
169. Malaria. Two constituencies expressed the vital importance to invest in malaria elimination for effective investments to end the epidemic, and would like to see a malaria elimination KPI. One constituency proposed to consider an indicator on malaria treatment.
170. Transition. There was a proposal to add a KPI on transition.
171. Investment efficiency. For KPI 4, it was noted that modelling is not sufficient as it requires systematic assessment of gaps in the health service cascade in key countries.
172. Secretariat response. Dr Dybul reinforced that, while an HRH KPI may be appropriate, the Global Fund is not responsible for the number of health care workers provided, and as such this specific measurement cannot be used.
173. Final adjustments to the proposed Framework can be made when relevant and feasible feedback to all questions is provided by May 30 (**Action item**).

## Agenda Item 17: The Future of the Global Fund Board's Composition and Structure and Recommendations on Governance Matters Part II – Follow-up discussion

174. **Decision Point**. Before the discussion resumed, the Board unanimously approved the proposed Decision Point on a change to the composition of the Partners' Constituency, to include the Partnership for Maternal, Newborn and Child Health ("PMNCH") in the constituency (GF/B35/DP11).
175. **TGC presentation**. Dr Viorel Soltan, the Chair of the TGC, presented the work done by the Transitional Governance Committee from January 2015 – April 2016. He outlined certain TGC recommendations for the Board's future consideration.

176. Dr Soltan summarized the outcomes of the five main TGC work streams:

- *Approval of the Board and Committee Performance Assessment Framework*, resulted in the development of a specific action plan for implementation from May 2016;
- *Enhanced Governance Structure*, approved by the Board in January 2016 (GF/B34/EDP07)<sup>12</sup>, followed by the appointment of the Chairs and Vice-Chairs of the Standing Committees (GF/B34/EDP14)<sup>13</sup> and pending appointment of new members of the Standing Committees of the Board<sup>14</sup>;
- *Board Composition and Size*, in collaboration with the Graduate Institute in Geneva;
- *CCM Matters*, a work stream in close collaboration with the Office of Inspector General, aimed at increased awareness at the Board level, increased effectiveness of the CCM Model, and development of a clear mechanism for the Board to ensure the successful operations of the CCMs in terms of coordinating grants at the country level. Both the Strategy Committee<sup>15</sup> (from an operational perspective) and the Ethics and Governance Committee (from an ethics perspective) are mandated to have oversight on CCM performance;
- *Components of a Governance Framework*, including development of On- and Off-Boarding Program and application of best practices for constituency management.

177. Dr Soltan then mentioned an issue that the TGC had not concluded on, and flagged it for Board attention. This was on live streaming through secure access to all Board delegations. Dr Soltan emphasized that live streaming would result in improved communication and increased awareness about the topics discussed at the Board level within constituencies.

178. **Board discussion.** On the livestreaming discussion point, while appreciating the proposals, noting that it is in line with the very transparent approach of the Global Fund, several constituencies expressed concerns. These included: costs, both security and actual costs; the potential impact of live streaming on Board members' behavior; one noted that they would have to get government clearance for all interventions, which would significantly reduce the flow and dynamics of discussions. One constituency suggested disseminating video recordings upon the closure of the Board meeting. Further comments asked about the actual demand, and the need for an in-depth assessment; comments touched on time zones and access to the latest information and communication technologies. It was noted that a potential advantage of live streaming could be reduced delegation size at Board meetings. This was not supported by others.

179. Dr Soltan took the opportunity to thank the Board for its support, the TGC members for collaboration and recognized the Ad-Hoc Working Group on Governance whose work set the scene for the Transitional Governance Committee.

180. One constituency commended the work and progress achieved in terms of support provided to African constituencies through the Africa Constituencies Bureau and expressed its hope for future progress and engagement of the EGC in that regard. It further questioned the division of CCMs oversight between the Strategy and Ethics and Governance Committees, favoring centralizing the CCMs oversight responsibility in one committee.

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<sup>12</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/EDP07/>

<sup>13</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/EDP14/>

<sup>14</sup> Following the 35<sup>th</sup> Board Meeting, the Board approved the members of the Standing Committees in a series of electronic decision points (GF/B35/EDP02, GF/B35/EDP04, GF/B35/EDP06)

<sup>15</sup> Under GF/B19/DP20, GF/B20/DP12 and GF/B23/DP17, the Board delegated oversight and certain decision-making authority on policies related to CCM matters, including guidelines, eligibility and minimum requirements, as well as funding and performance to Board's Standing Committee with responsibility for grant portfolio operations (i.e., Portfolio Committee, Portfolio Implementation Committee, Strategy, Investment and Impact Committee). Under the enhanced governance structure approved by the Board in January 2016 (GF/B34/EDP07), grant portfolio operations oversight is among the Strategy Committee's responsibilities.

181. **TGC response.** Ambassador Jimmy Kolker, member of the TGC, explained that the CCMs are part of grant oversight and implementation, overseen by the Strategy Committee, and are not a part of the Global Fund's governance structure. However, considering that the CCMs equally represent the Global Fund partnership model, the TGC recommends that issues such as conflict of interest, transparency and ethics-related matters fall under the mandate of the EGC. Finally, Ambassador Kolker recognized the benefit of having a full day of orientation and commended the development of the Board and committee performance assessment, which contributed to the evolution of the Global Fund as a learning organization striving for constant improvement.

## Agenda Item 18: Update on Resource Mobilization and the Fifth Replenishment

182. Dr Christoph Benn, Director of External Relations Division, presented the key milestones of the Fifth Replenishment campaign to date (presentation available on the [BoardEffect](#)).

183. Dr Benn conveyed to the Board Member of Japan, Mr Keizo Takewaka, his gratitude and appreciation to the government of Japan for the successful Replenishment Preparatory Conference, held in December 2015 in Tokyo. Dr Benn was pleased to confirm that in the context of Japan's presidency of the upcoming 42<sup>nd</sup> G7 Summit in May 2016, an official declaration of the Ministry of Foreign Affairs of Japan had already recognized the Global Fund's 5<sup>th</sup> Replenishment campaign in its public statement.

184. Additionally, Dr Benn recognized the continuous engagement of the UN Secretary General, Ban Ki-moon, and his interventions in the context of the replenishment. Dr Benn also expressed his strong appreciation for advocacy among civil society networks, and from Heads of States including the President of the Republic of Côte d'Ivoire, His Excellency Mr Alassane Ouattara, a Global Fund Champion for the 5<sup>th</sup> Replenishment campaign. Dr Benn further highlighted the Board Chair's ongoing negotiations with potential donors in the Middle East. He touched on efforts to engage new donors and engage donors with capacity to increase their contribution, in November 2015 (GF/B34/DPO6)<sup>16</sup>.

185. **Board discussion.** Constituencies expressed their satisfaction with progress made to date. Several supported the call for G7 countries to increase their contributions and be more ambitious and bold by also mobilizing G20 countries. One constituency highlighted the need to maintain Unfunded Quality Demand ("UQD") as a mechanism to engage new private donors. The Global Fund's focus on human rights aspects and building resilient and sustainable systems for health was also flagged as important for raising funds. The Board asked for more visibility and projections on the effect of foreign exchange fluctuations in the past years, a more detailed information on projected calculations was requested (**Action Item**).

186. One constituency noted the high risk if sufficient funding is not raised, and asked what mitigation measures are in place. Additionally, more details were requested regarding expectations in terms of increasing countries' domestic funding, and the implications of any changes in UNAIDS estimates on the current replenishment target, USD 13 billion. Finally, considering the critical importance of resource mobilization, the Board welcomed regular updates.

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<sup>16</sup> <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/DPO6/>

187. Constituencies reaffirmed their commitment to supporting the replenishment effort, for example at the High-level Meeting on Ending AIDS in June in New York, to ensure that the mention of the Global Fund gets adopted in the final declaration. Constituencies also highlighted the need for strong efforts on domestic resource mobilization.
188. One constituency reminded the Board of the World Malaria Day and reiterated enormous progress in fighting malaria cases and deaths made to date, with 60% reduction in malaria death rates over the last 15 years and 6 million lives saved.
189. **Secretariat response.** Dr Benn confirmed that with regard to foreign exchange rate fluctuations, relevant consultations had taken place. The AFC will consider a methodology in advance of the replenishment meeting. In terms of increasing domestic financing, there are specific plans, and there has been increased engagement with parliamentarians and civil society. Dr Benn clarified that the investment case presented during the Preparatory Conference in Tokyo in December 2015 was based on calculations projected from the three Global Plans on AIDS (Fast Track/UNAIDS Strategy), tuberculosis (End TB Strategy) and malaria (Global Technical Strategy for Malaria). Any updates of partners' estimates will be considered, however, not in the context of changing the current investment case. He then informed the Board of ongoing resource mobilization work with non-G7 countries and thanked them for thoughtful remarks and discussion.

## Agenda Item 19: Closing Session

190. The Chair of the Board recognized the intense nature of the meeting and commented on the meeting's achievements, insightful and provocative discussions and critical decisions taken to lead the work of the Global Fund into its next replenishment, allocation and strategic periods. Mr Hauser summarized the main discussion points and decisions, and thanked all Board members for their deliberations, guidance and thoughtful remarks during the meeting.
191. The Vice-Chair of the Board concluded the meeting by presenting a schedule for the Board and Committee meetings in 2016 and highlighted key issues to be discussed at the next Board Meeting, on 16-17 November 2016 in Montreux, Switzerland.
192. Finally, the Board leadership expressed their gratitude to the outgoing Chairs and Vice-Chairs of the Committees, recognizing their valuable experience and outstanding service to the Global Fund over the last two years.

## Annex 1: Decisions Taken at the 35th Board Meeting

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
GF/B35/DP01	<b>Appointment of Rapporteur</b> Siula Bulu from the Western Pacific Region constituency is designated as Rapporteur for the 35th Board Meeting.	Unanimous		
GF/B35/DP02	<b>Approval of Agenda</b> The agenda for the 35th Board Meeting (GF/B35/01 – Revision 3) is approved.	Unanimous		
GF/B35/DP03	<b>Approval of Response to the OIG 2015 Annual Opinion and Risk Management Report and Assurance Statement</b>  1. The Board notes its review and discussion of the: <ul style="list-style-type: none"> <li>a. Office of the Inspector General 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund, as set forth in GF/B35/11 (the “OIG Annual Opinion”); and</li> <li>b. Risk Management Report and Assurance Statement, as set forth in GF/B35/23.</li> </ul> 2. Accordingly, the Board acknowledges that while in-country partnerships are in place and significant initiatives and measures have been implemented to improve programmatic, fiduciary and risk-management processes, immediate and heightened efforts are needed to accelerate progress and advance risk management systems and processes.  3. The Board requests the Secretariat to: <ul style="list-style-type: none"> <li>a. Present a detailed action plan to advance risk management and internal controls, with measureable and time-bound targets, and a report on progress to the Board in June 2016 through the standing committees that were established under Board decision point GF/B34/EDP07 (the “Standing Committees”); and</li> <li>b. In the context of the differentiation initiative, review the business model in high-risk countries and present possible options to the Board after review by the Standing Committees at their second meetings in 2016.</li> </ul>	Unanimous		
GF/B35/DP04	<b>Approval of the Global Fund Strategy 2017 – 2022: Investing to End Epidemics</b> Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the Global Fund Strategy 2017 – 2022: Investing to End Epidemics, as presented in Annex 1 to GF/B35/02-Revision 1.	Unanimous		
GF/B35/DP05	<b>Approval of the 2015 Annual Financial Report</b>	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
	The Board authorizes the issuance of, and therefore approves, the Global Fund's 2015 Annual Financial Report, which includes the 2015 Consolidated Financial Statements that have been audited by Ernst & Young SA, as set forth in GF/B35/09 Annex 1.			
<b>GF/B35/DP06</b>	<b>Approval of the 2015 Statutory Financial Statements</b> The Board authorizes the issuance of, and therefore approves, the Global Fund's 2015 Statutory Financial Statements, which have been audited by Ernst & Young SA, as set forth in GF/B35/09 Annex 2.	Unanimous		
<b>GF/B35/DP07</b>	<b>Approval of the Revised Eligibility Policy</b>  1. Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the revised Eligibility Policy, as set forth in Annex 2 to GF/B35/06 – Revision 1 (the “Revised Eligibility Policy”).  2. Accordingly, the Board: a. Acknowledges this decision point and the Revised Eligibility Policy supersede Board decision point GF/B30/DP05 and the previous Eligibility Policy as set forth in Attachment 1 to GF/B30/6 – Revision 1 (the “Previous Eligibility Policy”); and b. Notes that notwithstanding paragraph 2.a. of this decision point, the Previous Eligibility Policy remains applicable to grant programs originating from the 2014 – 2016 allocation period.	Unanimous		
<b>GF/B35/DP08</b>	<b>Approval of the Sustainability, Transition and Co-financing Policy</b>  1. Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the Sustainability, Transition and Co- Financing Policy, as set forth in Annex 1 to GF/B35/04 – Revision 1 (the “STC Policy”).  2. Accordingly, the Board: a. Acknowledges this decision point and the new co-financing policy set forth in the STC Policy supersede Board decision point GF/B30/DP05 and the previous Counterpart Financing Policy as set forth in Attachment 1 to GF/B30/6 – Revision 1 (the “Counterpart Financing Policy”); and b. Notes that notwithstanding paragraph 2.a. of this decision point, the Counterpart Financing Policy remains applicable to grant programs originating from the 2014 – 2016 allocation period.	Unanimous		
<b>GF/B35/DP09</b>	<b>Approval of the Challenging Operating Environments Policy</b> Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the Challenging Operating Environments Policy, as set forth in Annex 1 to GF/B35/03.	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
GF/B35/DP10	<p><b>Approval of the Allocation Methodology 2017 – 2019</b></p> <ol style="list-style-type: none"> <li>1. The Board notes: <ol style="list-style-type: none"> <li>a. Its decisions in September 2012 (GF/B27/DP07) and November 2012 (GF/B28/DP04) that established the principles and framework for the allocation-based funding model (the “Funding Model Principles”);</li> <li>b. Its decisions in October 2013 (GF/B29/EDP10 and GF/B29/EDP11) and March 2014 (GF/B31/DP06, GF/B31/DP07, GF/B31/DP08, GF/B31/DP09 and GF/B31/DP10) to define certain elements for the 2014 – 2016 allocation period that would be reviewed and refined, as appropriate, prior to the 2017 – 2019 allocation period (the “2014 – 2016 Elements”); and</li> <li>c. Decisions by the Strategy, Investment and Impact Committee (the “SIIC”) in October 2013, under authority delegated by the Board, to establish technical parameters for the 2014 – 2016 allocation period (GF/SIIC09/DP01) and the process for managing and awarding incentive funding and unfunded quality demand (GF/SIIC09/DP02) (the “Prior SIIC Decisions”).</li> </ol> </li> <li>2. Accordingly, based on the recommendations of the SIIC, as presented in GF/B35/05 – Revision 1, the Board: <ol style="list-style-type: none"> <li>a. Approves the allocation methodology presented in Annex 1 to GF/B35/05 – Revision 1 (the “Allocation Methodology”);</li> <li>b. Acknowledges the technical parameters for the 2017 – 2019 allocation period, as presented in Annex 2 to GF/B35/05 – Revision 1 and approved by the SIIC at its 17<sup>th</sup> meeting in March 2016 (the “Technical Aspects”); and</li> <li>c. Affirms the restatement of core parts of the Funding Model Principles, as presented in Annex 3 to GF/B35/05 – Revision 1 (the “Affirmed Principles”).</li> </ol> </li> <li>3. Accordingly, the Board: <ol style="list-style-type: none"> <li>a. Requests the Strategy Committee to review and approve, at its June 2016 meeting, the method by which the Secretariat will apply and report on the qualitative-factor adjustment process;</li> <li>b. Requests the Secretariat to present the priorities, activities or initiatives, including associated costs, that could be funded as catalytic investments, for the Strategy Committee to review at its June 2016 meeting and recommend to the Board; and</li> <li>c. Acknowledges that the Allocation Methodology, Technical Aspects and Affirmed Principles shall apply for the 2017 – 2019 allocation period and supersede the Funding Model Principles, 2014 – 2016 Elements and Prior SIIC Decision.</li> </ol> </li> </ol>	Canada Switzerland Australia, France, Germany, Japan, Point 7, Private Foundations, Private Sector, UK, USA, EC, Developed NGOs, EMR, Developing NGOs, EECA, ESA, LAC, SEA, WCA, WPR		Communi ties
GF/B35/DP11	<p><b>Approval of a Change to the Composition of the Partners Constituency</b></p> <ol style="list-style-type: none"> <li>1. The Board notes that under its previous decision in May 2009 (GF/B19/DP11) to create a non-voting seat on the Board to represent the constituency of key partners whose mission is directly related to the Global Fund and who are not currently represented on the Board (the “Partners Constituency”), any key partner</li> </ol>	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
	<p>that wishes to be represented on the Global Fund Board through the Partners Constituency should make a formal request to the Board for their inclusion in the Partners constituency.</p> <p>2. The Board also notes that the Partnership for Maternal, Newborn &amp; Child Health (“PMNCH”) have fully responded to the criteria for accepting new constituency members, developed by the Partners Constituency, and have received unanimous support from the current Partners Constituency Members to be incorporated into the Constituency.</p> <p>3. Based on the request submitted by the Partners Constituency, as outlined in GF/B35/27, the Board decides to invite the PMNCH to be a member of the Partners Constituency.</p>			

## Annex 2: 35<sup>th</sup> Board Meeting Documents List

### 35<sup>th</sup> Board Meeting Indicative Documents List

Reference	Document Title	Format
<b>For Decision</b>		
GF/B35/01	35 <sup>th</sup> Board Meeting Agenda	Board Document
GF/B35/02	The Global Fund Strategy 2017-2022: Investing to End Epidemics	Board Document
GF/B35/03	Challenging Operating Environments Policy	Board Document
GF/B35/04	Sustainability, Transition and Co-Financing Policy	Board Document
GF/B35/05	Allocation Methodology 2017-2019	Board Document
GF/B35/06	The Global Fund Eligibility Policy	Board Document
GF/B35/07	2017-2022 Strategic Key Performance Indicator Framework	Board Document
GF/B35/09	Annual Financial Report 2015 (including the Consolidated Financial Statements and Statutory Financial Statements)	Board Document
<b>For Information</b>		
GF/B35/26	Update from the Executive Director	Slide Deck
GF/B35/10	Office of the Inspector General 2015 Annual Report	Board Document
GF/B35/11	Office of the Inspector General Annual Opinion 2015 on Governance, Risk Management and Internal Controls	Board Document
GF/B35/12	2015 Progress Update on Status of Implementation of OIG Agreed Management Actions	Board Document
<b>Strategy Development</b>		
GF/B35/13	Technical Review Panel Observations on the 2014-2016 Allocation- Based Funding Model	Board Document
GF/B35/14	Update on Activities of the Technical Evaluation Reference Group	Slide Deck
GF/B35/15	Annual Report on Community, Rights and Gender 2015	Board Document
Background document	Report of the Equitable Access Initiative	Report
GF/B35/25	Wambo.org: Update on 2016 roll-outs	Board Document
<b>Governance</b>		
GF/B35/16	Report of the Coordinating Group	Board Document
GF/B35/08	Final Report and Recommendations of the Transitional Governance Committee	Board Document
GF/B35/17	Board Composition	Board Document

<b>Reference</b>	<b>Document Title</b>	<b>Format</b>
GF/B35/18	Annual Report of the Ethics Official 2015	Board Document
<b>Commitment of Financial Resources</b>		
GF/B35/20	2015 Financial Performance	Slide Deck
GF/B35/21	Recoveries Report	Board Document
<b>Assessment of Organizational Performance</b>		
GF/B35/22	Corporate Key Performance Indicators: 2015 End of Year Results	Board Document
<b>Risk Management</b>		
GF/B35/23	Risk Management Report and 2015 Annual Assurance Statement on Risk Management	Board Document
<b>Resource Mobilization and Partnerships</b>		
GF/B35/24	Resource Mobilization and Replenishment Strategy	Slide Deck

## Annex 3: Written Statements received from Constituencies

### Written Comments on GF/B35/26 – Report of the Executive Director

#### A. Eastern Mediterranean Region Constituency

##### Strategy (GFB35-02)

While the alignment of GF strategy with global health targets is appreciated, EMRC expresses its concern about evaluation of Impact of the programs and GF contribution to those targets. Close collaboration with partners on defining overall impact targets and indicators in line with SDGs are highly commended.

EMRC appreciates the differentiated approaches and long term support embedded into the strategy objectives. (p6 , p25)

In many middle income countries the Global Fund is the main investor and in some the only investor in addressing the needs of key populations. We appreciate the approach for ensuring proper sustainability and transition planning before stopping contribution to countries. (p35) In particular EMR is facing with highest trend of risk of HIV infection, highest number of migrants and refugees, highest gap of access to HIV services including ART, although many of the countries there are not eligible or in transition right now. Jordan, Lebanon, Yemen, Syria, Libya and Iraq are some examples. Strengthening health system would be a challenging issue before any transition as well.

Considering the shortcomings in supply chain management which have been pointed out in many OIG investigations recently, EMRC welcomes the GF approach for capacity building and expanding partnership for improvement.

As mentioned before, our constituency appreciates the strategy and again asks the Executive Director and board members to reconsider EMR security, social and health situation and conduct a rapid assessment together with technical agencies of 3 diseases to find the existing gaps and opportunities to support the countries experiencing complex emergencies.

As discussed there are excellent experiences regarding integration of the 3 diseases into Public Health Care System in different parts of the world. Now there is a good opportunity for GF to support this integration and put it into the new strategy to sustain GF activities and efficiently spend limited financial resources.

##### Challenging Operating Environments Policy (GFB35-03)

In addition to current GF recipient countries assessment of COE eligibility should include other middle income countries and pay more attention to especially countries experiencing complex emergencies such as Libya, Iraq, Syria, Yemen or affected by external challenges such as Jordan, Lebanon and Tunisia.

The Eastern Mediterranean region continues to face multiple and complex emergency situations on an unprecedented scale, and also is one of origin, destination and transit of refugees and migrants. The EMR in the midst of one of the largest human displacements in modern history, with 14-15 million refugees and internally displaced people (IDPs). This number includes over 10 million Syrians that are now refugees abroad or IDPs, nearly 2 million Iraqi IDPs, and hundreds of thousands of Iraqi refugees. There are 2 two million Libyans abroad, mostly in Tunisia, and 400,000 IDPs within the country.

Since CCMs and even the government may no longer remain functional to control these three diseases in some of the COEs alternative approaches for sustaining service delivery to key populations should be sought, for example strengthening the role of a single PR, or a cluster of partner agencies and putting extra measures for oversight and grant management. In this regard we have to seek a special mechanism to foster the accountability of the recipient bodies and to make sure that these grants are completely traceable. Proposals which indicate delivering the funds to the refugees rather than established entities within the countries where people are as refugees could be subject to any fraud and often illegal actions which are completely beyond our intention and good-wills in the GF.

Allocation of additional fund to COE is crucial and highly recommended. Specially supporting what proposed by Germany to have a program for Jordan and Lebanon and I am asking the board for Libya.

#### **Sustainability, Transition and Co-financing Policy (GFB35-04)**

EMRC welcomes the approach for providing transition funding for up to one allocation period upon becoming ineligible and also the emphasis on transition planning.

GF is strongly advised to support strengthening of surveillance systems through WHO, UNAIDS,... for targeted diseases, invest in systematic monitoring and evaluation mechanisms and invest in evidence-informed decision-making in transitioning countries.

EMRC also asks for putting appropriate investment in these countries during transition period and mentioning a minimum and maximum level of funding for this initiative rather than just putting a maximum amount.

#### **Allocation Methodology (GFB35-05)**

Based on the ongoing crises across the Eastern Mediterranean region, limited progress made on controlling the 3 diseases, uncertainty of the final fate of migrants and mobile populations from and within the region, EMR urges for reconsideration of eligibility and transition in this region for a considerable duration.

I think all of you agree with me that chronic emergency leads to severely increase in TB/HIV and STIs incidence. Our constituency takes this opportunity to request you seriously for;

- Increased share of upper middle income countries especially countries experiencing complex emergencies in EMR of overall GF grant allocation,
- Encouraging sub-regional projects and concept notes,
- And Advocating for increased availability of and dissemination of data on various health problems especially on emergency situation including information for board decisions.

#### **GF Eligibility Policy (GFB35-06)**

GF allocations should be based on ground realities rather than other considerations. Differentiated approach based on risk assessment might have implications on risk management; however it should not defer eligibility.

Global Fund's current model on prioritizing high burden is associated with the risk of neglecting concentrated epidemic countries such as some Eastern Mediterranean countries, EMRC calls for more emphasis on the "burden of risk factors" and epidemiologic trend instead of "burden of diseases" during global investment decisions.

We propose GF to consider shift of its focus from countries and their income level towards *location and population distribution* of the 3 diseases through development of sub-regional plans. Regions experiencing complex emergencies such as the EMR may benefit from adopting a more realistic criteria for eligibility.

#### **Risk Management Report and Annual Assurance Statement on Risk Management**

EMRC welcomes the efforts done for enhancing risk management at the secretariat and calls board and GF partners to assist in managing key enterprise risks mentioned in the report.

#### **Office of the Inspector General Matters:**

- **Annual Report**

EMRC appreciates the various initiatives conducted by OIG for delivering reports that have impact, leveraging improved relationships, putting in place internal improvements and being proactive. We also commend OIG for decreasing the average time taken to close investigation cases to less than 8 months.

We recommend OIG to expand its relationship with constituencies and the civil society for further enhancing the investigations and audits. EMRC also recommends the secretariat to be more proactive in capacity assessment of recipients and due diligence to ensure proper grant management.

- **Annual Opinion on Governance, Risk Management and Internal Controls;**

EMRC appreciates the comprehensive opinion provided by OIG and urges the secretariat and the board to improve the maturity of the organization considering the external context and the new strategic plan Global Fund has to implement.

- **Progress Update on Status of Implementation of Agreed Management Actions**

EMRC commends OIG and the secretariat for the follow ups on AMAs, however considering the high number of open and overdue AMAs in certain units we would like to ask for increasing efforts and maybe seeking additional support for improving the situation.

### **Corporate KPIs: Performance against 2015 KPIs**

While EMRC appreciates the improvements and achievements on various KPIs, there are concerns about not achieving HSS targets which need putting more efforts on implementation and data collection.

Also EMRC expresses its concerns about not achieving targets for value for money and resource mobilizations.

### **Update on Resource Mobilization and Fifth Replenishment**

EMRC is concerned about GF targets for 5<sup>th</sup> replenishment which is parallel to unfunded needs that may jeopardize yielding impact at the global level while GF has a strategy to end the epidemics. Moreover a risk management plan should be in place for ensuring the realization of adequate fundraising under current situation.

## **B. Germany Constituency**

### **Update from the Executive Director**

- We appreciate the renewed commitment by the Global Fund to RSSH in the new strategy as well as in public statements by the Fund. **However, we are worried about the lack of attention to Human Resources for health.** A skilled and motivated health work force is essential to provide and expand access to better services. Neither the new Strategy nor the proposed new KPI Framework currently reflect this essential role of Human Resources.
- We are wondering about **Wambo.org** (E-Market Place): Based on the document we have to assume that a. roll-out is slower than anticipated (3 instead of 8 PRs on board) and b. external funding has not been secured (no mentioning of UNITAID and other investors anymore). Since slow roll out and lack of external funding constitute key risks to the project, we would appreciate an update.

### **Risk Management Report and Annual Assurance Statement on Risk Management**

- Recent OIG reports show an urgent need to improve risk management in the grant portfolio. We welcome and support the initiatives presented by the Chief Risk Officer, as well as the active role of the Coordinating Group in ensuring Board oversight in this area.
- Given that **risk management** is hardly mentioned **in the new strategy** we would like to emphasize that we continue to see risk management as key to achieving the objectives of the Global Fund.

## **Office of the Inspector General Matters**

- We appreciate the role of the OIG as the third line of defense. It is important for donors to know their investments protected and problems identified and followed up, particularly in a year of replenishment!
- The **sequencing of grant decisions / pending OIG reports** has been quite unfortunate recently. For example, Nigeria (audit and investigation), Tanzania (audit) and current delays in finalization and publication of Nigeria reports do not reflect well on the Global Fund. This should be handled differently in the future.

## **C. East and Southern Africa and West and Central Africa Constituencies**

As we look toward the 35<sup>th</sup> meeting of the Global Fund board, the East & Southern Africa and the West & Central Africa constituencies are pleased to offer for consideration comments on the below items as requested by the Office of Board Affairs.

### **Update from the Executive Director**

- We recognize the successes and hard work that is clear from the Global Fund investments over time. We welcome continued investment to sustain and increase progress in fighting the three diseases and strengthening health systems.
- We are look forward to discussing the revisions to the allocation methodology and appreciate the SIIC's and the Secretariat's many months of consultations, discussions and analysis. We welcome the changes to allow for greater flexibility and simplification while not compromising accountability; it is hoped these changes will improve absorption capacity at the country level, to allow for greater service delivery.
- We note with concern the costs of future treatment for HIV, TB and malaria. Increased focus on resilient and sustainable systems for health is absolutely essential for us to move towards test and treat for people living with HIV, TB and elimination of malaria.

### **Risk Management Report & Annual Assurance Statement on Risk Management**

- No comments or questions

### **Office of the Inspector General**

#### **• Annual Report**

We appreciate the new way in which the OIG is working with countries in carrying out audits. We encourage the Secretariat to work with CCMs to strengthen their oversight role. What are the recommendations of the OIG on the Country Coordinating Mechanism audits?

There are a lot of positives to take away from this report:

- The Office of the Inspector General has done a commendable job, and shortening the average time for investigation cycle to boot.
- As much as several areas of concern or improvement have been noted, it is encouraging that for most, several initiatives are already under way to address them. The new Strategy 2017-2022, the attendant M&E framework and the development of new KPIs will also contribute to addressing some the findings in the OIG report.
- As already stated in the Risk Management and Assurances report: we recognize that despite the progress made there is a need for the GF to materially step up its efforts to achieve a robust level of enterprise-wide risk management. We are particularly looking forward to the operationalization of a risk-based approach through the Differentiation for Impact project, the integration of risk management throughout the grant lifecycle through the Accelerated Integration Management (AIM) project and the roll out of the assurance planning process after the successful pilots. After a long and careful process

the time to cascade a risk management culture and practice to implementing teams at country level is now. We believe that through these initiatives the Global Fund is contributing to strengthening country systems that will assure greater operational efficiency and in the long run improve the ability of the countries to deliver on the grant obligations.

- **Annual Opinion**

- The opinions forwarded by the OIG are substantiated by concrete evidence. The Secretariat's efforts to address the challenges are well acknowledged. However, more intensified efforts are needed to address the recommendations forwarded by the OIG.
  - Of major concern is the weakness on KPI framework highlighted in the OIG's opinion. This has been raised in the past with regards to the quality of specific KPI and the inability to measure others. We are however optimistic that with the new Strategy, a more robust KPI framework will be developed.
- **Progress updates on agreed management actions**
    - No comments or questions

### **Corporate KPIs Results (2015 Performance)**

- **KPI 5 (Health Systems Strengthening)** has consistently been off-track for the last couple of years. The last time progress on KPIs was reported in Nov 2015, KPI 5 on Health system strengthening did not have data and the data on current performance was still based on a single country. The one country reported to date did not meet anticipated improvement in service availability and readiness. The challenge of measuring this KPI remains due to the lack of timely and comprehensive data. It is disappointing to see the lack of progress in this from last year. As we have repeatedly expressed in the past, the dearth of data to measure progress on KPIs underscores the need to strengthen data systems. We are hopeful that the strong focus on strengthening data systems in the new Strategy and through initiatives such as the Country Data Project, these challenges will be comprehensively addressed going forward.
- We take note of the urgent need to improve procurement forecasts and encourage SMART targets for the proposed management actions related to **KPI 10 (value for money)**. The work to develop procedures and systems for a more robust country demand focus has been ongoing for a while now and it is important to see a conclusion to this work.
- We have previously expressed our reservations on **KPI 12 for human rights**, and are pleased to see improvements.

### **Resource Mobilization & Replenishment**

- We are pleased to see the progress being made in preparation for the 5<sup>th</sup> Replenishment and pledge our full support to the efforts.
- The Africa Constituencies commit to mobilize increased domestic resources, particularly for funding the health sector across the board. We ask the Global Fund to support our efforts to lobby our governments and our leaders, to ensure fulfilment of commitments made at Abuja and in our national plans.

## **D. Developing Country NGO Constituency**

### **Executive Director's Update**

- The Developing Country NGO Delegation welcomes the Update from the Executive Director. We wish to post the following three issues, for a response before and or during his response at the Board table. We would care to see the gaps and challenges experienced across portfolios in the period given that they are not captured in the report. We also encourage you to also highlight the gains made in human rights as a strategic outcome as has been done with all the other

strategic areas of the Global Fund in the presentation. Finally, with regards to the Office of the Inspector General 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund we noted a few challenges and recommendations presented. We request that the Executive Director provide his reflections, objections as well as an anticipated next steps that will address some of the issues raised.

### **2015 Progress Update on Status of Agreed Management Actions as produced by the Office of the Inspector General**

- The Developing Country NGO Delegation comments the presentation and tone of the 2015 Progress Update on Status of Agreed Management Actions as produced by the Office of the Inspector General. We found this to be well-rounded and balanced. We request that the Board be regularly updated, during subsequent Board Meetings, on the progress and implementation of these agreed steps, particularly as it relates to the recommendations posed to the Grant Management team on the strengthening of CCMs. We also openly offer our support on the development and implementation of CCM guidelines and protocols going forward. Second, we support the recommendation by the TGC that the Ethics and Governance Committee, monitors and reports to the Board, issues related to CCM governance and ethics functions in this regard.

### **Office of the Inspector General 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund**

- On the Office of the Inspector General 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund we would ask that there be a reaction/ response from the Executive Director at the Board table and any agreed actions be shared with the Board. We anticipate that the progress of our E-Marketplace will address some of the procurement concerns raise and encourage the acceleration of the full gamut of this mechanism.

### **Resource Mobilization and Replenishment Strategy**

- Developing Country NGOs appreciates the current replenishment efforts led by Christoph Benn and his team. We are glad to see more diversified donors contribute to the Global Fund. The roll out of this information in public media over the past few months is also strategic and promising – amidst other less encouraging messages concerning the HIV, TB, and malaria funding landscape. We have the following points and concerns. First, there is still no confirmation on the date and location of the replenishment conference. Is this an indication of challenges as is being speculated? Can the external director comment on this clearly? Second, we flag our concerns on what is a heavy reliance on domestic financing, with a projected annual increase of 17% from 2017- 2019. In addition, there is an anticipated and continued projected growth until the 6th replenishment. This equates to 17% of our ambition being rested on the good will and faith of governments. This is a risk premise. We encourage our colleagues to tread lightly on his forecasts. Finally, with the outstanding results of the Global Fund investment case, we add our voice to the team in calling on more donors to increase their contributions to the Global Fund, in order to demonstrate their support to end the epidemics. We commend the EC and Portugal, in particular, for their increased pledge and ask, particularly, China, Germany and Japan to increase their contributions to support the GF to achieve the replenishment goal.

## **E. Communities, Developing Country NGO, Point Seven**

### **Youth Statement on the 35<sup>th</sup> Board Meeting of The Global Fund**

Adolescents and young people are one of the age groups that are severely affected by HIV, TB and Malaria. Forty percent of global new HIV infections occur among young people, with increased HIV related death among adolescents. Adolescent girls and young women continue to account for one in four

new HIV infections in sub-Saharan Africa, whilst in almost all settings adolescent key populations are disproportionately affected by HIV. There are an estimated 530,000 tuberculosis cases among children under 15 years old and most malaria deaths occur among children in Africa.

This is but a tip of an iceberg of issues, pointing us to the urgency and importance of meaningfully engaging them in our fight against AIDS, TB and Malaria.

Involving young people in the Global Fund process is critical as they can provide valuable insight and expertise on what works, to ensure that their specific needs are addressed in the planning, design, implementation and monitoring and evaluation of the Global Fund's programmes. Supporting adolescent and young people's participation in Global Fund supported programmes, can ensure that grants are created and administered to achieve the greatest impact. This has already been recognised by the Global Fund Board as it adopted the decision point **GF/B20/DP325** at its convening in Addis Ababa in November **2009**, emphasizing the urgency of providing more room for youth leadership and involvement in the response to the three diseases. In addition, it called for more attention towards protecting young people's health and human rights, particularly of young women and girls and those who are marginalised, including but not limited to young sex workers and people who use drugs; lesbian, gay, bisexual and transgender youth; and young migrants.

The new strategy framework and current funding model present an opportunity for increased adolescent and young people engagement that cannot be missed. We applaud the work undertaken so far by the Global Fund Secretariat, various committees and partners to explicitly highlight in the new Strategic Framework the specific needs and the importance of addressing age-related barriers to services for adolescent and young people. However, more can be done.

Adolescents and young people should be valued as experts with agency, tremendous experience and a wealth of knowledge and must therefore be resourced to provide that expertise to ensure the Global Fund's programmes, our investments, work better for us.

Let us go beyond seeing them as targets for prevention and treatment programmes and also focus on ways in which we can engage and support them to improve access to the services, tools and commodities they need to safeguard and protect their health and well-being. Age is also a determinant of all of our health experiences; as such adolescent girls and young women, young MSM, young PLHIV, young SW, young injection drug users, young indigenous people and other key and vulnerable populations will need to be supported, being mindful, of course of their ages, so no one is left behind.

We encourage board constituencies to:

- Ensure there is technical support for adolescent and youth-led organisations to build their capacity on a range of areas required in order to enable them to meaningfully engage in the Global Fund-related processes, for instance, through the Special Initiatives and/or Catalytic Funding.
- Ensure efforts to improve the efficiency and effectiveness of CCMs include providing safe spaces for young people in all diversities to participate in this important governance structure/body, "leaving no one behind in the accountability and oversight network."
- Build the capacity of young people and youth-led/ youth-serving organizations and networks to access grants (e.g. by becoming sub-recipients or sub-sub recipients, regional grantees). Strengthening their skills in programing, resource mobilization and grant management ensuring that they have systems to manage the global Fund grants.
- Broaden the scope of funding for research, including operational research, and data on adolescents/young people, to provide an evidence base for adolescent human rights and gender sensitive interventions and programing.

We encourage all constituencies at the board to consider the potential impact and implications of all the decisions made at this board meeting on key and vulnerable populations, including young people. As we deliberate and discuss, let us reflect and ask ourselves:

- How does this policy/strategy/decision cater to the needs and realities of adolescents and young people?
- How will this policy/strategy/decision affect young people, especially those adolescents and young people from key and vulnerable populations?
- What can we do/say today to ensure we can improve the health outcomes of adolescents and young people?
- What can we do after this board meeting to ensure the Global Fund works better for adolescents and young people?
- How can we partner with the Global Fund Secretariat to ensure that its staff from various departments have adequate capacity to operationalise the new Global Fund Strategic Framework 2017 – 2022 and what kind of support can we provide to make the Global Fund new strategy truly work for adolescents and young people?

We also want to call on the Global Fund Secretariat to ensure that all of its staff members as well as its Technical Review Panel members are adequately equipped with knowledge and skills required to address the specific needs of adolescent and young people in all diversities.

Let us appreciate that meaningful engagement of adolescents and young people must not be limited to bringing/having them at the table, but ensuring that our commitments and concerns are translated into evidence and rights-based programmes that are led by and targeting adolescents and young people in the concept notes with budget lines.

This must be our resolve for adolescents and young people. We welcome your commitments and expressions of support during your deliberations and interventions over the next few days.

Board Members,

**Point Seven,**

**Developing Country NGO Delegation,**

**Communities Delegation.**

For the Youth Delegates of the Global Fund Board

## Annex 4: Glossary of Acronyms

A list of commonly-used Global Fund acronyms is available at the following link:  
[http://www.theglobalfund.org/documents/core/guides/Core\\_GovernanceHandbookVocabulary\\_List\\_en/](http://www.theglobalfund.org/documents/core/guides/Core_GovernanceHandbookVocabulary_List_en/)

AFC Audit and Finance Committee

ALM Asset Liability Management

AMAs Agreed Management Actions

CCM Country Coordinating Mechanism

CFO Chief Financial Officer

CRG Community, Rights and Gender

CRO Chief Risk Officer

ED Executive Director

EGC Ethics and Governance Committee

HRH human resources for health

HSS health systems strengthening

ITP Implementation through Partnership

IHP+ The International Health Partnership

KPI key performance indicator

LFA Local Fund Agent

LLIN long-lasting insecticidal nets

STC Sustainability, Transition and Co-financing Policy

MTP mid-term plan

NGO nongovernmental organization

OIG Office of the Inspector General

OPEX operating expenses

PEPFAR President's Emergency Plan for AIDS Relief (USA)

PR Principal Recipient

PMNCH Partnership for Maternal, Newborn and Child Health

RSSH Resilient and Sustainable Systems for Health

SDGs Sustainable Development Goals

SGD Shortened Grant Duration

SC Strategy Committee

TERG Technical Evaluation Reference Group

TGC Transitional Governance Committee

TRP Technical Review Panel

UNAIDS Joint United Nations Programme on HIV/AIDS

UQD Unfunded Quality Demand

WHO World Health Organization