

35th Board Meeting

Report of the Coordinating Group

GF/B35/16

Board Information

PURPOSE:

The purpose of the present report is to provide the Board Members with an update of the work of Coordinating Group in fulfilling its mandate. It is the result of a joint effort of the Board Leadership and leadership of the Audit and Ethics Committee (AEC), Finance and Operational Performance Committee (FOPC), Strategy, Investment and Impact Committee (SIIC), and Transitional Governance Committee (TGC).

I. Decision Point

1. There is no Decision Point contained in this paper.

II. Relevant Past Decisions

2. There are no relevant past Decision Points.

III. Introduction

1. The Coordinating Group (“CG”) is composed of the Chairs and Vice-Chairs of the Board and its standing committees, including the Chair of the Transitional Governance Committee¹.
2. This report is a result of a joint effort of the Board Leadership and leadership of the Audit and Ethics Committee (“AEC”), Finance and Operational Performance Committee (“FOPC”), Strategy, Investment and Impact Committee (“SIIC”), and Transitional Governance Committee (“TGC”).
3. The purpose of the present report is to help the Board gain an understanding on how the committees have performed, recognize their accomplishments, successes, as well as challenges, and how they have been coordinating among themselves. The report contains the Coordinating Group’s joint views on cross-cutting items, a description of the main discussion items for each committee between the 33rd and 35th Board meetings and features end-of-term reflections of committee work. Annexes to this report include: 1) a complete list of decisions taken by the standing committees between the 33rd and 35th Board meetings; 2) an update on the workplan of the TGC; and 3) the Governance Performance Assessment Action Plan developed to address the areas for improvement identified in the performance assessments of the Board and committees.
4. Since the 34th Board Meeting on 16/17 November 2015, the Coordinating Group has had four regular meetings, mostly virtual (via Zoom), approximately every four to six weeks. The CG meeting minutes and action points have been circulated to Board constituencies, and are available on *BoardEffect*.
5. Over the last two years, the substantial increase in the frequency of the Coordinating Group in-person and virtual meetings has significantly improved coordination between the three standing committees and the TGC to address cross-cutting issues. These include key items such as risk, governance, strategy, allocation methodology, corporate KPIs, and Market Shaping Strategy. The CG members have found the CG to be an effective platform of coordination between the Board committees, the Board Leadership, and the Board. Going forward, the CG will continue taking up topics that Board members and constituencies want to be addressed, and will make sure that they are considered by the respective committees. As part of its oversight of corporate KPIs, the CG will increase focus on the interactions between the financial and programmatic performance and will devote special attention to follow-up work on risk mitigation.
6. Review of the Organizational Risk Register is a standing item on the Coordinating Group’s agenda, with some specific risks being debated in more detail in the relevant committees. The Coordinating Group encourages the Global Fund to achieve a robust level of enterprise-wide risk management through implementation of key ongoing initiatives, such as Differentiation for Impact project, the Accelerated Integration Management (“AIM”) project, the OIG Agreed Management Actions (“AMAs”), and internal Enterprise Risk Committee (“ERC”). The CG welcomes the recent discussion about TB and Malaria drug resistance by the SIIC. Drug resistance is showing an increasing trend, which is an indication that the current approaches for assuring quality of treatments may require strategic revision.

¹ Current membership is: Norbert Hauser and Aida Kurtovic (Board Leadership), Graham Joscelyne and Claude Rubinowicz (AEC), Soltan Mammadov and Michael Ruffner (FOPC), David Stevenson and Anita Asimwe (SIIC), Viorel Soltan (TGC).

01 Coordinating Group's joint views on cross-cutting items

7. The Global Fund has changed the face of the fight against HIV/AIDS, tuberculosis and malaria through its operations, has empowered communities affected by the diseases to remove the barriers to healthcare, and has involved marginalized population groups into the dialogue with governments over the design and implementation of health programs. There is ever growing government commitment to increase domestic financing to reverse the tide of the epidemics in their countries. Successful partnerships have allowed the Fund to offer innovative tools to accelerate diagnostics, provide affordable medicines to treat an increasing number of patients, and to use modern technologies to enhance adherence to treatment. The unique business model of the Global Fund, its high level commitment and engagement at a truly global level, have saved 17 million lives since 2002, and, equally important, given hope for decent life to so many more.

8. The global health community relies on the Global Fund to play a critical role in the next ten years to make steady progress in the achievement of global targets. Our results to date indicate that we can do even more and better, and through our new strategy we are positioning ourselves in the new paradigm of the Sustainable Development Goals (“SDGs”) by proposing to build resilient and sustainable systems for health to achieve universal health coverage, so to deliver integrated and patient-centered services, in challenging operating environments and to migrating populations. The CG members look forward to the Board meeting adopting the strategy narrative and allocation methodology, as well as a range of policies that will enable the organization to reach the goals and objectives of the new strategy framework, recently approved by the Board (GF/B34/DPO4)².

9. While moving ahead with the adoption of the new strategy, allocation methodology and policies, the current CG members welcome an open discussion as to whether the Global Fund has all the necessary “tools” and “enablers” to successfully achieve the new strategic goals and objectives, considering the risks affecting the achievement of the goals of the current strategy.

10. The CG agrees with the Office of Inspector General’s (“OIG”) 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund (GF/B35/11), which contains several critical findings. Since 2013, the OIG Annual Opinion reports have highlighted key areas that impede the Global Fund’s success, such as: (i) insufficient due diligence of the robustness of implementation arrangements before grant signing; (ii) insufficient oversight of grant operations during implementation, in particular in the areas of quality of reported data, expenditures, and delivery of quality pharmaceuticals to the end users; (iii) accountability framework of all stakeholders involved in grant management and implementation (Secretariat staff, but also Country Coordinating Mechanism (“CCM”) and Global Fund governance members); and (iv) weaknesses in the Global Fund’s governance.

11. While the Secretariat has taken many steps forward to further optimize its operations through various projects (e.g., AIM, ITP, risk and assurance, and differentiation), and the Board has recently adopted a new committee structure, the challenges for the Global Fund’s mission evolve over time, and the pressure to respond to them will be ongoing. Therefore, the new CG members should have a critical look at how we handle our business model and whether some of its principles can be revisited to stimulate further improvements.

12. Fine-tuning or revisiting the Fund’s core structures is certainly a complex endeavor but we should not shy away from it pretexting external or internal circumstances. The Global Fund is unique in its capacity to constantly adapt and innovate while delivering results. In this discussion, we should be very open with ourselves as to whether our current governance model and composition enable or impede a change. Is there a moment in time when our political choices enter in contradiction with the strategic decisions we need to take based on epidemiological needs? Why is the global resource allocation different from the disease split adopted by the Global Fund? Why do we keep investing the majority of our resources into HIV/AIDS when the number of TB deaths has outnumbered the deaths from HIV/AIDS? How do we do both: end the epidemics in one

² <http://www.theglobalfund.org/Knowledge/Decisions/GF/B34/DPO4/>

³ S.H.E. Kaufmann, Director of Max-Planck-Institute on Infectionbiology, Berlin and L. Schragar, Vice-president Scientific Affairs, AERAS, Frankfurter Allgemeine Zeitung, 23 March 2016

place and stop the rise of an epidemic in another? Can we have an evidence-based discussion about these issues with the current Board composition, which, like the CCMs in countries, place a heavier emphasis on HIV/AIDS?

13. The CG members second the OIG's opinion on the current status of the Global Fund's governance that questions the relevance of the design and operation of the Global Fund's Board "*15 years after the current governance architecture was adopted in a relatively different context*"⁴.

14. The CG notes that, in response to the survey about preferred options for Board composition outlined in the report of the Graduate Institute (GF/B35/17)⁵, the vast majority of respondents demonstrated an appetite for change. Attempting a change in the 15-year old model of Board composition would be a significant step forward and enable the Global Fund to have additional tools at its disposal for achieving its mission by 2030.

15. It is important to link the discussions about Board composition with the strategic vision of the Global Fund in adopting its new strategy. If we aim to end the three diseases as epidemics by 2030, can we do so with the players that we currently have around the table? How do we work with BRICS countries to end the epidemics there? How do we attract new donors, as we will need more funding to reach the last mile? How do we benefit from the experience of countries that have successfully transitioned from the Global Fund?

16. While the Global Fund does have a clear strategy for 2017-2022, there is a lack of shared vision across the constituencies on the future direction of the Fund on delivering significant reductions in the epidemics as intended within the timeframe covered by the Strategy. As part of its review on Board composition, the TGC determined that without a clear shared vision on the future direction of the Global Fund beyond the current Strategy and clear majority within the Board on any of the proposed options for Board size and composition, it would be premature -- and probably counterproductive -- to recommend any radical restructuring of the Board at the current time. While deciding not to recommend any immediate changes to the Board composition and size, the TGC felt that some recommendations were necessary to ensure that the Board continues to build on the discussions, including the importance of discussing and developing a shared vision for the future of the Fund moving towards 2030. Therefore, the TGC recommends that a discussion with stakeholders and the Board around the future direction of the Fund be included in the mid-point discussions on the implementation of the current strategy (estimated 2019-2020). Possible decisions to implement any changes to the current constituency group structures, including voting practices, should also be revisited as part of these discussions.

17. The current CG members consider that starting a mid-point assessment in 2019-2020 might be slightly late to make the changes, if necessary, to enable the Global Fund achieving its goals by 2030, and encourage the new CG to discuss an appropriate time for a mid-point assessment.

18. The CG members welcome the recent discussion at the Transitional Governance Committee on CCMs. The CCMs represent indeed a core part of the Global Fund's business model, and play a strategic role in setting up implementation arrangements at country level. The TGC identified a need for stronger awareness at the Board level of the overall effectiveness of the CCM model and a clear mechanism for how the Board can help to ensure that CCMs are successful in supporting grant implementation.

19. According to the recent OIG audit report⁶, the CCMs are not that successful in fulfilling the functions that the Global Fund expects from them, which jeopardizes the achievement of results on the ground: "*Commonly noted weaknesses included inability or limited success in addressing gaps in health management information and supply chain systems, mobilizing additional resources for the three diseases, extent of successful synergy building between partners while avoiding duplication, ensuring first-time submission of high-quality concept notes, etc*". Apart from the funding allocated to support the functions of the CCMs (on

⁴ GF/B35/11 Office of the Inspector General Annual Opinion 2015 on Governance, Risk Management and Internal Controls of the Global Fund. Abidjan, 26-27 April 2016, p. 9

⁵ TGC Recommendations on Board composition and size

⁶ GF-OIG-16-004 Office of the Inspector General (OIG) Audit Report "Audit of the Global Fund Country Coordinating Mechanism", 25 February 2016, Geneva, Switzerland, p. 14

average USD 6.4 mln/year), how much additional effort is the Secretariat taking on board through its various projects (such as ITP), in order to remediate the weaknesses of the CCMs?

20. The CG members acknowledge that the Secretariat's support to the Global Fund's governance is extensive and requires significant effort. Two Board meetings per year, committee meetings, retreats, phone calls with constituencies on various items represents a report writing "industry", which takes a significant amount of time away from the Secretariat's attention to its operations on the ground. The CG would welcome a discussion at the Board about means to reduce the cost of supporting the Global Fund's governance (currently, USD 6 mln/year), while at the same time optimizing on-line tools and resources that governance members could access to effectively oversee the Global Fund's operations in real-time mode.

21. Board and committee oversight of the Secretariat's work should not mean being "snowed under" hundreds of pages of documentation twice or three times a year, going through PowerPoint presentations as "updates" from the Secretariat, and loading meeting agendas to the extent that does not allow in-depth discussion on strategic matters. Genuine oversight means focusing on a few critical items and pro-actively seeking and cross-checking the information provided, as well as assessing implementation challenges and having an in-depth discussion on weaknesses and root causes of those weaknesses. The role of the governance is to provide support to the organization, and in order to do so, both sides – the Secretariat and the governance body – have to have an open and trustful discussion on what works well and what does not.

22. We encourage the Secretariat to be more open about its challenges and to invite the Board members to help to address those. This will ultimately create more trust between the Board and the Secretariat, which is key for allowing the governance function to reach the appropriate level of oversight.

02 Main discussion items for each committee between 33rd and 35th Board meetings and end-of-term reflections of committee work

Audit and Ethics Committee (AEC)

Office of Inspector General

23. Since the 33rd Board meeting, the AEC: 1) reviewed and recommended to the Board through the FOPC the 2016 OIG operating budget⁷; 2) approved the 2016 OIG Key Performance Indicators ("KPIs") and reviewed the OIG performance against its 2015 annual KPIs; 3) reviewed for submission to the Board the 2015 OIG Annual Report and Annual Opinion on Governance, Risk Management and Internal Controls⁸; and 4) endorsed the introduction of the OIG Quality Assurance and Improvement Program. With respect to the Secretariat's response to the OIG's evaluation of organizational maturity as set forth in the 2015 Opinion, the AEC supports the Secretariat's strengthened focus on execution, enhanced project management, supply chain and data quality.

24. During its 2014-2016 term, the AEC oversaw a successful leadership transition process, and played a key role in the annual performance assessment of the Inspector General, who assumed the office in June 2015. The AEC recognizes the OIG as being an independent, accountable and well-resourced entity, with robust and effective reporting processes. Moreover, the AEC commends the OIG for developing an appropriately resourced long-term OIG operating budget, and for ongoing development and improvement of its policies and activities. The AEC also proposes a streamlining around approval processes for OIG internal guidelines, procedures and operational processes.

⁷ Based on the recommendation of the Audit and Ethics Committee and further to the Board's Decisions GF/B32/DPO3 and GF/B34/DPO5, the Inspector General's operating expenses are included in the annual Operating Expenses Budget ("OPEX").

External Audit and Financial Matters

25. The AEC interacted regularly with the external auditor of the Global Fund, Ernst & Young (“EY”), in its capacity as the principal assurer of the Board with regards to the quality of the consolidated financial statements and financial reporting.

26. Since the last Board Meeting, as part of its advisory and oversight of audit related matters, the AEC: accepted the documents and responses relating to the 2015 consolidated financial statements and 2015 statutory financial statements for recommendation to the Board. In addition, the AEC selected and recommended to the Board the appointment of the external auditor for the 2016 fiscal year (GF/B34/EDP18)⁹, following a competitive bidding process and a recommendation from the Secretariat’s Technical Evaluation Panel.

27. During the 2014-2016 term, the AEC regularly reviewed the performance of the external auditor, and received updates on engagement of EY for non-audit services by the Secretariat and the OIG. Under the Board’s delegated authority and with effect from 2014, the AEC reviewed the Interim Condensed Consolidated Financial Statements and EY’s Limited Review Report, and authorized the publication of the Interim Statements in both 2014 and 2015¹⁰.

28. Overall, the AEC recognizes effective dialogue between the Secretariat and the External Auditor and welcomes the improvements in quality of presentation of the financial statements.

Ethics Matters

29. Developed under the oversight of the AEC and the Ethics Steering Committee, established in 2014, the Ethics and Integrity Initiative remains one of key achievements accomplished by the committee¹¹. Specifically, the AEC: 1) reviewed and recommended the proposal for Code of Ethical Conduct for Governance Officials, approved by the Board (GF/B33/DP10)¹² in April 2015; 2) oversaw the process of the creation of a dedicated ethics function and the development of Terms of Reference of the Ethics Officer (GF/B33/EDP14), approved by the Board in July 2015¹³; followed by the appointment of Nick Jackson in January 2016 as the Global Fund Ethics Officer (GF/B34/EDP08); 3) reviewed and recommended to the Board in collaboration with the FOPC a comprehensive budget for the Ethics Officer function, captured in 2016 OPEX (GF/B34/DP05).

Sanctions Panel

30. The Global Fund Sanctions Panel, reporting to the Executive Director and composed of independent external members (and chaired by one) and by senior members of the Global Fund Secretariat, was established in November 2013, and provides regular updates on its operations to the AEC. Staggered membership terms for independent external members were introduced in 2015, an improvement welcomed by the AEC as supporting effective institutional memory management. In October 2015 the Independent Chair of the Sanctions Panel delivered to the AEC a presentation on this body’s activities and resolution of the first filed cases.

31. The AEC strongly supports the work conducted by Sanctions Panel and recognizes the significance of its independence, and the value of its deliberations and recommendations to the Executive Director.

⁹ Based on the Audit and Ethics Committee recommendation, set forth in GF/B34/ER13, the Board authorizes the appointment of KPMG SA as the Global Fund’s external auditor for an initial three-year term beginning with the 2016 fiscal year (GF/B34/EDP18).

¹⁰ As approved during inter-session review in September 2015 at the AEC virtual meeting and with the participation of the FOPC leadership

¹¹ Adopted by the Board (GF/B32/DP09), the comprehensive Ethics and Integrity Framework includes a set of policy principles aimed to strengthen the ethical principles and integrity of the Global Fund operations and activities

¹² <http://www.theglobalfund.org/Knowledge/Decisions/GF/B33/DP10/>

¹³ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B33/EDP14/>

Privileges and Immunities

32. The AEC and the FOPC have joint oversight responsibility regarding the acquisition of privileges and immunities for the Global Fund. Both committees receive quarterly updates from the Privileges and Immunities Advisory Group (“PIAG”)¹⁴ on progress made, and report annually to the Board. This information includes which countries that have accorded such protections to the Global Fund (GF/B32/DP06)¹⁵, under the Privileges and Immunities Agreement.

33. The AEC members express their particular appreciation to the late Christopher Kassami, AEC member for Eastern and Southern Africa, for his instrumental work in facilitating signature of the Privileges and Immunities Agreement by Uganda. The AEC commends the Global Fund’s efforts and endorses the work of the PIAG to win ten states ratifying the Privileges and Immunities Agreement, to acclaim it binding on a multilateral basis.

Risk management – cross-cutting issue

34. The Governance Plan for Impact (GF/B32/08 – Revision 2)¹⁶ approved by the Board in November 2014, identified a set of recommendations for a comprehensive approach to risk management oversight and emphasized the shared responsibility of all the governing bodies on this area of work. In order to enhance risk management oversight responsibilities, as well as to ensure the Board has a comprehensive view of the key risks and opportunities faced by the organization, the Working Group on Governance¹⁷ recommended utilization of a model for risk oversight involving the Board, the Coordinating Group and Standing Committees of the Board. Within this model, the Board holds overall responsibility for risk management at the Global Fund.

35. To date, under the oversight of the Board and three standing committees and the CG itself, and as explained in the Risk Management Report to the Board, the following policies, tools, and processes became core components of the Global Fund’s risk management: (i) risk culture, (ii) risk differentiation, (iii) risk management processes that facilitate risk identification and prioritization, mitigation, assurance, monitoring and control; (iv) governance and oversight; and (v) systems and tools¹⁸.

36. During the 2014-2016 term, the AEC has jointly overseen a number of key deliverables, including the Board’s approval of the Risk Management Policy (GF/B32/DP11)¹⁹, and the development of the Risk Differentiation Framework, adopted by the Board in November 2014 (GF/B32/DP12)²⁰. The AEC has reviewed bi-annual updates on risk management at committee meetings in the form of consolidated report on Risk Management including the Organizational Risk Register, and the Chief Risk Officer’s Annual Assurance Report 2015. Finally, the AEC has paid close attention to the Risk and Assurance Initiative, including discussion of the pilot projects launched in 2015.

37. The AEC reiterates the cross-cutting nature of ethics-related risk and the importance of embedding management of ethics-related risk across the organization’s risk management activities. Therefore, the development and implementation of preventative measures, including appropriate design of Global Fund programs, safeguards in place, and risk management culture within the organization, is key to mitigate such risk.

¹⁴ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/EDP12/>

¹⁵ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP06/>

¹⁶ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP05/>

¹⁷ GF/B31/ER06. Constituted in May 2014 and formed by eight members, the purpose of the Ad-Hoc Working Group on Governance was to identify and recommend for Board consideration possible changes in the Global Fund governance system with the intention of improving efficiency, effectiveness, unity and equity in conduct and management of the affairs of the Global Fund Board and its Committees, in line with the mission, needs, and work of the Global Fund.

¹⁸ Risk Management Report and Assurance Statement (GF/AEC14/14);

¹⁹ On the recommendation of the AEC and following consultation with the FOPC and SIIC;

<http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP11/>

²⁰ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP12/>

Recoveries

38. The AEC and the FOPC have joint responsibility to engage on matters relating to recovery of misused funds. In 2015, as instructed by the Board²¹, the AEC approved a new reporting methodology and format for future reporting within the biannual Recoveries Reports that expanded the reporting to include , not only OIG-initiated recoveries, but also on recoverable amounts identified in the due course of grant management operations (GF/AEC11/DP05). The AEC received and expressed its comfort with the first Recoveries Report under the new methodology at its 14th meeting in March 2016. In addition, the AEC supports the “2-for-1 allocation reduction”²² method introduced by the Secretariat as a last resort to resolve challenging recoveries cases. Finally, the AEC notes that the OIG Review of the Recoveries process is due in 2016.

Finance and Operational Performance Committee (FOPC)

39. Over the past two years, during implementation of the Global Fund’s New Funding model, the Secretariat instituted new, state of the art processes and systems that enhanced the its capacity to manage and track the core financial information.

Step Up Program

40. A successful full implementation of the Step-up initiative applied tight financial management to the Global Fund’s resources, strengthened internal and external controls, and ensured compliance with the organization’s financial framework. An On-line financial dashboard was developed as part of the Finance Step-Up project capturing information on all financial aspects of the Global Fund including status of contributions, grant expenses and disbursements and operating expenditures.

Improved Financial Management

41. Other key achievements in financial management are (i) quarterly Asset and Liability Management forecasts and (ii) Mid-Term Plan as a multi-year forecasting tool of the Global Fund portfolio. Moreover, an improved treasury function of the Global Fund allowed for regular review of the investment framework, transfer of commitments and disbursement services from the Trustee to the Secretariat, ongoing analysis of forecasted grant expenses and disbursements versus actual data, and monitoring of OPEX along with the core priorities and new operational initiatives.

Minimized Foreign Exchange Risk

42. The Foreign Exchange (FX) related policies approved by the FOPC addressing FX risks borne by the Global Fund at the global level serves to minimize risks connected to FX fluctuations, maximize and protect Global Fund assets, and ensure that the required funding is made available to recipients in due course and in the right currency.

Investment Framework

43. The Secretariat revised the Investment Framework in collaboration with the Trustee to support the implementation of asset-liability, cash and liquidity management practices set forth in the amended Comprehensive Funding Policy, aimed at maximizing investment returns, maintaining adequate liquidity needs in the short-, medium- and long-term, and preserving capital.

Increased control over commitments and disbursements

44. The Global Fund has also revised its relationship with its Trustee, as noted above, by transferring the control over commitments and disbursement processing from the World Bank to the Global Fund. The Secretariat has demonstrated its ability to disburse funds when and where needed in a secure and timely fashion.

²¹ <http://www.theglobalfund.org/Knowledge/Decisions/GF/B32/DP04/>

²² GF/AEC14/13 Recoveries Report for the year ending 31 December 2015. Upon approval by the Executive Director, the country’s allocation is reduced by a factor of 2:1, being 2 allocation reduction for every 1 of recoverable.

Addressing Absorption Issues

45. Measures to reduce the amount of cash balances held in country accounts as well as proactive steps in countries with absorptive capacity problems were standing agenda issues of the Secretariat and the FOPC. The ITP initiative led by the Grant Management Division, and strengthening of HSS components in grants, are seen as appropriate measures to address absorption issues in key programs and across the Global Fund portfolio.

Market shaping strategy

46. The Amended and Restated Market Shaping Strategy was approved by the Board, and the FOPC and SIIC were assigned to oversee its implementation, together with the development and roll out of an online procurement platform, the E-marketplace now called Wambo.org.

HR evolutions

47. The FOPC approved revisions to job levelling and salary structures and termination indemnities and survivor benefits, thus contributing to friendly and competitive working environment in order to be able to attract and retain Global Fund staff.

Key financial practices and policies

48. The progress and challenges in the transformation of donor pledges to contributions have been discussed at each in-person meeting, innovative resource mobilization tools and key policies such as the revised earmarking financial contributions policy resulted in additional pledges and contributions from both, the private and public sector.

Internal controls

49. FOPC maintained regular communication with the Office of the Inspector General, and has taken note of the OIG reports in exercising its oversight function of issues under the FOPC mandate. The committee has been intensely debating ways to improve internal controls of the Secretariat, with a special focus on AMAs, risk management, and the Corporate KPI framework. Among challenging matters that the committee had to deal with were the use of OPEX savings vs the Board-approved budget emanating from FX gains, operational performance of certain programmatic activities or Board-approved priority initiatives under the annual OPEX, balancing sufficient assurance by the LFAs with reducing LFA costs, and the control of expenses related to staff and professional fees.

Looking forward

50. Committee's leadership has taken active steps to ensure proper handover of responsibilities, progress achieved, lessons learnt, and management actions resulting from the FOPC self-assessment to the incoming committee leadership. The incoming Chair of the AFC had the opportunity to attend committee meetings in the past as an alternate member for his constituency and as an observer at the last FOPC meeting, and the incoming Vice-Chair of the AFC has been serving as FOPC member during the ending term. Among the few pending items to pass on to the new committees are: (i) development of a comprehensive honorarium policy for the governing bodies of the Global Fund, (ii) revisions of FX policy and contracting agreements, (iii) communication with the donors to address economic foreign exchange risk of pledges and contributions, and (iv) working to resolve the implementer liability concerns.

51. As part of recommendations for improvements in organizing the committee's work, the leadership of the FOPC highlights the following: (i) provide access for committee members to more granular information to make the linkages between financial figures and underlining activities, projects and priorities; (ii) better information on the base OPEX budget (as facilitated by the zero based budgeting exercise) instead of considering marginal changes; (iii) the finance committee should receive regular, timely and comprehensive updates from other committees on actions/decisions that have financial implications; (iv) committee meeting agendas should be developed in a sequence that allows having all relevant discussions prior to taking a decision; (v) committee's work should include more meetings by committee members with relevant Secretariat staff, to gain in-depth understanding of various issues and have ample time for questions and answers; (vi) use tele- or video-conferencing facilities in between committee meetings to receive routine updates and discuss specific items; and (vii) each discussion should end with clear action items to guide follow-up work.

Risk

52. The SIIC received regular updates on risk, including the risk register, and evaluated strategic risk mitigation and management as an ongoing area of focus for the Committee. This cross-cutting area, with oversight from all three Committees, and involving collaboration with Partners is seen as critical to effective risk management. Some areas of focus for the SC going forward include further discussion on drug resistant malaria, including on insecticide-resistance by the SC at its June 2016 meeting.

Strategic Review 2015

53. At the first meeting of the outgoing Strategy, Investment and Impact Committee (SIIC) in June 2014, the Committee reviewed and approved the Technical Evaluation Reference Group's plan for the Strategic Review 2015. Together with thematic reviews of key strategic topics, the TERG implement this plan to inform the SIIC and the Secretariat on lessons learned from the 2012 – 2016 Strategy and presented further recommendations that were factored into the development of the 2017-2022 Strategy. While the current strategy allows for predictability and better targeting of finance to achieve greatest impact, some issues remain around flexibility and simplification of processes. Further, the results of the Strategic Review suggested that important elements of the next strategy (2017-2022) would include differentiation, sustainability, and the role of the Global Fund in building resilient health systems. These useful inputs have contributed to the SIIC's presentation of the Strategic Framework 2017 – 2022 to the Board, which was approved in November 2015, as well as full strategy narrative that the Board will review for approval at its 35th meeting in April 2016.

Rollout of the Funding Model

54. The SIIC has regularly reviewed the Secretariat's updates on the implementation of the allocation-based funding model over the past two years, including consideration of the iterative and inclusive process, flow of predictable funds, and achievement of results. The SIIC was also regularly updated on lessons learned and challenges identified with the rollout of the funding model at each of its meetings, including input from the Technical Review Panel and Partners, covering each concept note review window, challenges at country level, operationalization of incentive funding and unfunded quality demand, and how the funding model enabled delivery of the Global Fund's strategic objective of investing for impact. The SIIC also examined the process in which regional expressions of interest evolved into regional funding requests and programs. Furthermore, the SIIC received regular updates on the implementation of special initiatives approved for the 2014 – 2016 allocation period, particularly with respect to the Emergency Fund, PR Grant-making Capacity Building, Technical Assistance for Strong Concept Note Development and Community, Rights and Gender Technical Assistance. Towards the end of 2016, the Secretariat will prepare a report for the SC on impressions of first full year of implementation of the funding model.

55. Updates on the funding model also gave the SIIC its first opportunities to understand priority projects launched by the Secretariat, including Implementation Through Partnership, Accelerated Integration Management, and Differentiation 4 Impact. Through these presentations, the Committee assessed evolve methods in which the Secretariat was addressing core implementation bottlenecks in country with partner agencies and organizations while also optimizing internal systems, coordination and resource allocations that aim to help the Global Fund deliver on its future strategic objectives and priorities.

Revision of Global Fund Strategy Cycle

56. In advance of the next Strategy, the SIIC presented a recommendation to the Board to set the next strategic cycle to the six-year period starting on 1 January 2017 and ending on 31 December 2022. The SIIC made this recommendation to facilitate links and coherence between the replenishment, strategy and allocation, as well as to provide advanced articulation of the Global Fund's strategy and objectives to guide implementation planning, facilitate advocacy efforts and support mobilization of resources. The Board approved the

recommendation in April 2015²³. Accordingly, the Strategy Committee will oversee a mid-term review of next Strategy will take place to evaluate progress and implementation, and this will feed into the development of a timeline for developing the following strategy that will begin in January 2023.

Global Fund Strategy 2017-2022

57. This was a broad consultative process which took place over the past 18 months and included three Partnership Forums, input from the Development Continuum Working Group, on-line e-forums, two SIIC and Board retreats, and regular consultation calls with Board constituencies, Partners and other stakeholders to establish four strategic objectives, and their associated operational objectives, and two strategic enablers with respect to mutually accountable partnerships and differentiation. Following the approval of the Strategic Framework 2017 – 2022 by the Board in November 2015²⁴, the SIIC and the Secretariat have worked together to develop a full strategy narrative in parallel with a Strategic Key Performance Indicator Framework for the next strategic period. Both will be presented to the Board for approval in April 2016.

Market Shaping

58. In November 2014, following the dissolution of the Market Dynamics Advisory Group (MDAG), the FOPC and SIIC took over responsibility for monitoring and oversight of market dynamics matters based on a set of revised joint responsibilities that the committees jointly recommended to the Board, which were approved with the adoption of amended charters for both committees.²⁵ The Committees were updated regularly, including on the development of the Procurement4impact initiative and the E-Marketplace online procurement project, now known as WAMBO.org. In parallel, the SIIC, in coordination with the FOPC, oversaw the development of a revised Market Shaping Strategy (MSS), which the SIIC recommended and the Board approved in November 2015²⁶.

Resilient and Sustainable Systems for Health

59. Several updates were provided to the SIIC by the Secretariat and Partners to discussions on how the Global Fund could better leverage its support to health systems. Contributing to resilient and sustainable health systems is a key element of the next Global Fund Strategy, with communities seen as an integral element of national health systems. These discussions emphasized the importance of integrating HSS and CSS into the ongoing development of the next strategy.

Policy Development

60. Among the first policy matters addressed by the SIIC during its term was recommending the Board to adopt an interim measure to finance Hepatitis C virus treatment in November 2014.²⁷ Based on further deliberations and recommendations by the SIIC, the Board approved a framework for financing co-infections and co-morbidities of HIV/AIDS, tuberculosis and malaria²⁸, superseding the interim measure for Hepatitis C virus treatment at its 33rd meeting in March/April 2015.

61. Following an ongoing process through the past 18 months building on the lessons identified through the Equitable Access Initiative and the implementation of the Funding Model, as well as discussions with Partners, the SIIC has approved three new policies for recommendation to the 35th Board in April 2016.

- a) Sustainability and transition: how to incorporate sustainability into Global Fund engagement with countries, and how this feeds into a transition policy.
- b) Challenging Operating Environments (COEs): for the first time, the Global Fund has a Policy on COEs, including criteria for classification and a framework of principles and flexibilities applicable to COEs.

²³ GF/B33/EDP26

²⁴ GF/B34/DPo4

²⁵ GF/B32/DPo8

²⁶ GF/B34/DPo8

²⁷ GF/B32/DPo7

²⁸ GF/B33/DPo8

- c) Eligibility Policy: revisions to the existing policy allow for use of an average of the available GNI per capita data over a three-year period rather than the existing one year.

2017 - 2019 Allocation Methodology

62. The allocation methodology was developed over the past two years and has involved considerable time and Committee engagement throughout the process. The final recommendation presented by the SIIC to the Board in April 2016 represents a holistic set of refinements, which build on the lessons learned from implementation of the last allocation, and ensures greater impact, simplicity, flexibility and predictability while positioning the Global Fund to achieve the aims of the 2017 – 2022 Strategy.

63. The recommended approach enables the use of funds available for catalytic investments while also ensuring scale-up, impact and paced reductions through country allocations. It balances providing scale-up to below-formula components with flexibility to ensure paced reductions are applied in a differentiated manner that recognizes needs, ensures greater impact and guards against sudden drops in funding levels.

64. At its final meeting in March 2016, the SIIC also approved the technical parameters for the 2017 – 2019 allocation period, which are comprised of indicators for disease burden and country economic capacity, maximum and minimum shares for the allocation, and the external financing adjustment. Going forward, as part of the SIIC's recommendation to the Board on the 2017 – 2019 allocation methodology, the Secretariat will develop a transparent and accountable qualitative factor adjustment process for approval by the Strategy Committee at its first meeting in June 2016. The Strategy Committee will also review in June 2016 the priorities, activities or initiatives that may be funded through catalytic investments, as well as associated costs, for recommendation to the Board prior to the 2017 – 2019 allocation period.

Key Performance Indicators

65. Over its term, the SIIC received updates on the Secretariat's performance against the 2014 – 2016 Corporate Key Performance Framework. It recognizes the current opportunity for the Global Fund to develop a performance management framework to be in line with its next strategy. As such, it expects the Strategy Committee's engagement on key performance indicators to be more aligned and coordinated with its expected oversight and evaluation of the implementation of the 2017 – 2022 Strategy. As such, the SIIC has participated in discussions around the development of the 2017 – 2022 Strategic Key Performance Indicator Framework that will be presented to the Board for approval in April 2016 so that further methodological work may be completed to develop performance targets for the Board to approve in November 2016.

TRP and TERG

66. During its 2014-2016 tenure, the SIIC had oversight of the Technical Review Panel (TRP) and the Technical Evaluation Reference Group (TERG), and received regular reports and updates on the work of these two advisory bodies, including reviews of the funding model, the Strategic Review 2015 and other thematic reviews undertaken by TERG. The Committee notes its appreciation to both advisory groups, in particular their leadership, for their independent views and inputs into each of the Committee's core discussions, deliberations and decisions over its term.

Overview

67. The SIIC leadership highlighted the following components for a successful work of the committee: (i) clarity of mandate and focus of the committee (strategy, investment, impact); (ii) size of the committee to enable back and forth dialogue and participatory consensus building; (iii) experience of committee members and their diversity; (iv) team approach to facilitate active participation of membership, including retreats; (v) role and accomplishments of independent advisory bodies (TERG/TRP), and other input-providers such as the DCWG, EAI; (vi) input from Board retreats and consultations; and (vii) role of the committee's focal points to follow key issues and developments. Among the challenges and gaps encountered in the committee's work, the SIIC leadership mentioned getting buy-in from constituencies not represented on the committee even with extensive consultations on key issues before and after committee decision-making; and limitations of tele-conference dialogue.

Looking Forward

68. It is important to continue to locate Global Fund efforts in the frame of other actors on the global health stage, giving adequate consideration to country perspectives, and consequences at the country level of committee decisions. The SC and Secretariat need to work together to define approaches which ensure a sense of ownership by the Board, as well as better defining the role of the SC vis-à-vis the Board and the most appropriate level of SC discussions. It is important to ensure balanced, equitable discussions on Global Fund resources, emphasizing the importance of using evidence for impact.

Transitional Governance Committee (TGC)

69. In January 2015, the TGC was established with a mandate to focus on the implementation of the recommendations from the Ad Hoc Working Group on Governance's Board approved Governance Plan for Impact.

70. The TGC developed a workplan divided into five work streams plus oversight activities: Governance Performance Assessment Framework; Enhanced Governance Structure; Board Size and Composition; Components of a Governance Framework; Components of a Governance Framework; and Monitoring and Oversight Activities.

Governance Performance Assessment Framework

71. TGC developed the Governance Performance Assessment Framework approved by the Board in September 2015 (GF/B33/EDP18). A streamlined performance assessment of the Board and its standing committees as well as the committee leadership was conducted. The results of the assessment were compiled and shared with the Board on the occasion of the 34th Board meeting in November 2015. Both the Board and the committees were assessed as "Fair" with identified areas for improvement. The Coordinating Group developed a Performance Assessment Action Plan ("Action Plan") to address the main issues emerging from the assessments. The Action Plan is included in the Coordinating Group report to the Board and its implementation will be jointly monitored by the Coordinating Group and the new Ethics and Governance Committee (EGC).

Enhanced Governance Structure

72. Based on comprehensive analysis and complex process, the TGC elaborated and presented for board discussion the Enhanced Governance Structure and its supporting documents: it was approved by the Board on January 28, 2016. The call for the membership of the new committees was announced and TGC conducted preliminary competency-based review for the incoming nominations. This responsibility will fall under the mandate of the EGC for future committee membership selection processes. As such, lessons learned have been collected from the TGC and Board Leadership and the tools and process used for this new process will be standardized by the Office of Board Affairs for the next round of selections.

Board composition and size

73. As part of its overall governance reforms, the Global Fund has been considering the overall effectiveness of its Board composition to address issues emerging from a changing health and development landscape. In order to remain relevant in these changing times, the Global Fund needs to be flexible, effective and attractive to new and existing donors. TGC looked more deeply into the current Board composition and structure based on extensive consultative process during Board Retreats, independent study by the Graduate Institute Geneva and anonymous survey.

CCM Matters

74. CCMs are important to the performance of the Global Fund, in particular the functioning of the grant portfolio. Based on certain observations identified in the audit report, the TGC identified a need for stronger awareness at the Board level of the overall effectiveness of the CCM model and a clear mechanism for how the Board can help to ensure that CCMs are successful in coordinating grant implementation and multi-stakeholder engagement in country.

75. As such, the TGC recommends more frequent committee discussion and evaluation of the implementation of CCM Guidelines as well as associated performance of CCMs under the Strategy Committee, and that the Ethics and Governance Committee, under its existing mandate, receive regular reports from the Secretariat on the performance of the CCMs in those activities related to their role as the local representative of the Global Fund partnership and in modeling the principles of ethical behavior and transparency.

Elements of a Governance Framework

76. Regarding other components of the governance framework that interact with each other to support the organization meeting its strategic objectives, the TGC focused its work on four key elements: 1) Livestreaming of Board Meetings; 2) Enhanced Implementer Engagement; 3) Board Members Lifecycle management; and 4) Constituency Management best practices.

77. The details of the work of the TGC are provided in a separate TGC final report to the Board. While not able to fully achieve every recommendation put forward, the collective outcome of the TGCs work is a stronger, more mature governance structure, supported by many key practices and processes which were absent at the beginning of its mandate. To ensure that this work is carried forward, TGC provided a list of recommended actions listing the key follow up and the suggested responsible party to oversee their further implementation.

Annex 1: List of decisions adopted by committees between the 33rd and 35th Board meetings

Decision Points approved by the AEC between 33rd BM and 35th Board Meetings

DP ref. No.	Title
12th AEC Meeting, 11-12 June 2015	
GF/AEC12/DP01	Approval of the Agenda
GF/AEC12/DP02	Approval of the Report of the 11 th AEC Meeting
GF/AEC12/DP03	Terms of Reference of the Ethics Officer
GF/AEC12/DP04	Approval of the 2015 External Audit Plan
GF/AEC12/EDP01	Approval of the 2015 Interim Financial Report
GF/AEC12/EDP02	Appointments to the Selection Panel for the recruitment of the Global Fund Ethics Officer
13th AEC Meeting, 7-8 October 2015	
GF/AEC13/DP01	Approval of the Agenda
GF/AEC13/DP02	Approval of the Report of the 12 th AEC Meeting
GF/AEC13/DP03	Approval of the OIG's 2016 Work Plan
GF/AEC13/DP04	Approval of the OIG's 2016 Operating Expenditure Budget
GF/AEC13/DP05	Reappointment of Independent Members of the Sanctions Panel
GF/AEC13/EDP01	Recommendation of the Ethics Function 2016 Operating Expenses Budget
14th AEC Meeting, 8-10 March 2016	
GF/AEC14/DP01	Approval of the Agenda
GF/AEC14/DP02	Approval of the Report of the 13 th AEC Meeting
GF/AEC14/DP03	Acceptance of Documents and Responses Relating to the 2015 Consolidated Financial Statements and 2015 Statutory Financial Statements
GF/AEC14/DP04	Appointment of External Auditor
GF/AEC14/DP05	Approval of 2016 OIG Key Performance Indicators
GF/AEC14/DP06	Approval of Stakeholder Engagement Models
GF/AEC14/DP07	Approval of Proposed New Audit Rating

12th Audit and Ethics Committee Meeting Decision Points

Decision Point GF/AEC12/DP01: Approval of the Agenda (Unanimous)

The Audit and Ethics Committee approves the Agenda of the 12th AEC Meeting (GF/AEC12/01).

Decision Point GF/AEC12/DP02: Approval of the Report of the 11th AEC Meeting (Unanimous)

The Audit and Ethics Committee approves the Committee Member Report of the 11th AEC Meeting (GF/AEC11/12).

Decision Point GF/AEC12/DP03: Terms of Reference of the Ethics Officer (Unanimous)

1. The Audit and Ethics Committee notes:

- a. The process to further develop the Terms of Reference of the Ethics Officer led by the Board Leadership, with the support of the Office of the Inspector General, involving a consultation process with the Board and under the oversight of the Ethics Steering Committee;
- b. The current proposed Terms of Reference of the Ethics Officer, as set forth in Annex 1 to document GF/AEC12/06.

2. Following review and deliberation, the AEC decides to recommend the following decision point to the Board for electronic approval:

Board Decision Point GF/B33/EDPXX: Terms of Reference of the Ethics Officer

1. The Board acknowledges:
 - a. The Board's approval of the reporting arrangement of the Ethics Officer at the Thirty-Third Board Meeting (GF/B33/DP09), involving reporting by the Ethics Officer directly to the Board through the Committee responsible for ethics matters.
 - b. The process to further develop the Terms of Reference of the Ethics Officer, led by the Board Leadership in collaboration with the Audit and Ethics Committee (AEC), with the support of the Office of the Inspector General and through a comprehensive consultation process, pursuant to Board Decision Point GF/B33/DP10.
 - c. The cost of the recruitment process, estimated at USD 140,000, which will be absorbed within the approved 2015 Operating Expenses Budget.
2. Based on the recommendation of the AEC, the Board approves the Terms of Reference of the Ethics Officer, as set forth in Annex 1 to document GF/B33/ERXX.
3. Accordingly, the Board instructs the Secretariat to launch the recruitment process to engage an Ethics Officer for appointment by the Board Leadership on the recommendation of the AEC, following consultations with the Executive Director and the Inspector General, and for a three-year term which may be renewed no more than once.
4. The AEC will engage with the Finance and Operational Performance Committee to determine the future budgetary implications of this function, as per the standard Operating Expenses budget approval process.

Decision Point GF/AEC12/DP04: Approval of the 2015 External Audit Plan (Unanimous)

1. The Audit and Ethics Committee (the "AEC") approves the 2015 external audit plan, as set forth in GF/AEC12/02 and as reviewed by the committee at the 12th AEC Meeting on 11-12 June 2015 (the "External Audit Plan").

2. The Secretariat will inform the AEC of the precise audit fee for the External Audit Plan once it is determined.

3. Based on additional input from the Office of the Inspector General and the Secretariat, the AEC may revisit the External Audit Plan at its meeting in October 2015 to determine whether any modifications are needed.

Electronic Decision Point GF/AEC12/EDP01: Approval of the 2015 Interim Financial Report

The Audit and Ethics Committee authorizes the issuance of, and therefore approves, the Global Fund's 2015 Interim Financial Report, which includes the 2015 Interim Condensed Consolidated Financial Statements that have been reviewed by Ernst & Young Ltd, as set forth in Annex 1 to GF/AEC13/ERO1 – Revision 1.

Electronic Decision Point GF/AEC12/EDP02: Appointments to the Selection Panel for the recruitment of the Global Fund Ethics Officer

The Audit and Ethics Committee (AEC):

1. Notes its responsibility under the Board-adopted Terms of Reference of the Ethics Officer (GF/B33/EDP14) to jointly select the Ethics Officer with the Executive Director, for appointment by the Board on a no-objection basis; and

2. Appoints Claude Rubinowicz and Wendy Harrison to the Selection Panel to serve as AEC representatives and act with the delegated authority of the AEC to jointly select the Ethics Officer for appointment by the Board.

13th Audit and Ethics Committee Meeting Decision Points

Decision Point GF/AEC13/DP01: Approval of the Agenda (Unanimous)

The Audit and Ethics Committee approves the Agenda of the 13th AEC Meeting (GF/AEC13/01 – Revision 1).

Decision Point GF/ AEC13/DP02: Approval of the Report of the 12th AEC Meeting (Unanimous)

The Audit and Ethics Committee approves the Committee Member Report of the 12th AEC Meeting (GF/AEC12/10).

Decision Point GF/ AEC13/DP03: Approval of the OIG's 2016 Work Plan (Unanimous)

The Audit and Ethics Committee approves the 2016 Work Plan of the Office of the Inspector General, which includes the 2016 Audit Work Plan as presented in GF/AEC13/04 - Revision 1 and the 2016 Investigations Unit Work Plan as presented in GF/AEC13/05 - Revision 1.

Decision Point GF/ AEC13/DP04: Approval of the OIG's 2016 Operating Expenditure Budget (Unanimous)

The Audit and Ethics Committee recommends to the Finance and Operational Performance Committee the 2016 OIG Operating Expenses Budget, as set forth in GF/AEC13/06 - Revision 1, in the amount of USD 16.317 million for inclusion in the overall 2016 operating expenses budget for recommendation to the Board at its Thirty-Fourth Meeting.

Decision Point GF/ AEC13/DP05: Reappointment of Independent Members of the Sanctions Panel (Unanimous)

The Audit and Ethics Committee (AEC):

1. Notes its appreciation for the commitment and service of the independent members of the Global Fund Sanctions Panel;
2. Decides to reappoint Patricia Diaz Dennis, Andrés Rigo Sureda and Michael Stevens to serve as independent Sanctions Panel members for an additional term from the date of this decision, or until the appointment of their replacement;
3. Decides that, in order to accomplish the staggering of independent Sanctions Panel member terms, Patricia Diaz Dennis is appointed for an exceptional three-year term, with the other two members appointed for the standard two-year term.

Electronic Decision Point GF/AEC13/EDP01: Recommendation of the Ethics Function 2016 Operating Expenses Budget (7/8 AEC members voted in favor. One independent member was unable to participate during the voting period but later confirmed his support for the decision)

1. The Audit and Ethics Committee (the "AEC"):
 - a. Notes the Board's request, under Board Decision GF/B33/EDP14, for the AEC and the Finance and Operational Performance Committee ("FOPC") to determine the budgetary implications of the Ethics Function as part of the standard Operating Expenses budget approval process, with particular consideration given to methods for maximizing value for money; and
 - b. Notes the proposal to recommend an indicative budget ceiling of USD 483,280 for the Ethics Function for 2016, until further analysis may be completed following appointment of the Ethics Officer.
2. Following review of this proposal, the AEC:
 - a. Decides to recommend to the FOPC the budget amount of USD 483,280 for the 2016 activities of the Ethics Function, for inclusion in the Global Fund's overall 2016 operating expenses budget; and
 - b. Notes that, following the appointment and onboarding of the Ethics Officer, the Ethics Officer will:
 - i. Develop, in consultation with the Executive Director, a work plan for the Ethics Function for 2016, for approval by the committee responsible for ethics matters (the "Committee"); and
 - ii. Resubmit for the Committee's consideration an updated 2016 Ethics Function Budget, not exceeding the ceiling of USD483,280, based on the work plan for the Ethics Function and with due attention to value for money.
3. Thereafter, the Committee will notify the committee responsible for financial matters of any necessary adjustments to the 2016 Ethics Function Budget.

14th Audit and Ethics Committee Meeting Decision Points

Decision Point GF/AEC14/DP01: Approval of the Agenda (Unanimous)

The Audit and Ethics Committee approves the Agenda of the 14th AEC Meeting (GF/AEC14/01).

Decision Point GF/ AEC14/DP02: Approval of the Report of the 13th AEC Meeting (Unanimous)

The Audit and Ethics Committee approves the Committee Member Report of the 13th AEC Meeting (GF/AEC13/14).

Decision Point GF/ AEC14/DP03: Acceptance of Documents and Responses Relating to the 2015 Consolidated Financial Statements and 2015 Statutory Financial Statements (Unanimous)

The Audit and Ethics Committee (the “AEC”) accepts the:

- a) Final version of the 2015 Consolidated Financial Statements, which have been prepared by the Secretariat and audited by Ernst & Young SA;
- b) Final version of the 2015 Statutory Financial Statements, which have been prepared by the Secretariat and audited by Ernst & Young SA;
- c) 2015 Audit Results Report prepared by Ernst & Young SA;
- d) Conclusion and statement from Ernst & Young SA that they are in a position to issue an unqualified audit opinion on both the 2015 Consolidated Financial Statements and the 2015 Statutory Financial Statements;
- e) Final Draft of Management’s Letter of Representation to Ernst & Young SA; and
- f) Comments and responses by the Secretariat and Ernst & Young SA to the questions and topics of discussion during the AEC’s deliberations.

Accordingly, the AEC decides to recommend the following decision points to the Board:

1. Decision Point: GF/B35/DPXX: 2015 Annual Financial Report

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/XX Annex 1.

2. Decision Point: GF/B35/DPXX: 2015 Statutory Financial Statements

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/XX Annex 2.

Decision Point GF/ AEC14/DP04: Appointment of External Auditor (Unanimous)

The Audit and Ethics Committee recommends the following decision point to the Board for adoption:

Decision Point GF/B35/DPXX: Appointment of External Auditor

Based on the Audit and Ethics Committee recommendation, set forth in GF/B35/XX, the Board authorizes the appointment of KPMG SA as the Global Fund’s external auditor for an initial three year term beginning with the 2016 fiscal year.

Decision Point GF/ AEC14/DP05: Approval of 2016 OIG Key Performance Indicators (Unanimous)

The Audit and Ethics Committee approves the 2016 Key Performance Indicators for the Office of the Inspector General as presented in GF/AEC14/07 – Revision 2.

Decision Point GF/ AEC14/DP06: Approval of Stakeholder Engagement Models (Unanimous)

The Audit and Ethics Committee approves the Stakeholder Engagement Models for the Office of the Inspector General presented in Annexes 2 and 3 to GF/AEC14/10.

Decision Point GF/ AEC14/DP07: Approval of Proposed New Audit Rating (Unanimous)

The Audit and Ethics Committee approves the Office of the Inspector General's proposed new audit rating scale presented in Annex 1 to GF/AEC14/10.

Decision Points approved by the FOPC between 33rd BM and 35th Board Meetings

DP ref. No.	Title
15th FOPC Meeting, 22-23 July 2015	
GF/FOPC15/EDP01	Approval of Opening Accounts with the Central Banks of France and the United Kingdom
GF/FOPC15/DP01	Approval of a local bank account in Vietnam and insurance mechanism for funds held in such account
16th FOPC Meeting, PART I: conf. call on 6 October / PART II: in-person on 3-4 November	
GF/FOPC16/DP01	Recommendation of the 2016 OPEX Budget
GF/FOPC16/DP02	Approval of Changes to the Global Fund Provident Fund Constitutional Declaration and Benefits Rules
GF/FOPC16/EDP01	Authorization to Sign Lease Contract
17th FOPC Meeting, 8-10 March 2016	
GF/FOPC17/DP01	Approval of Amended and Restated Human Resources Policy Framework
GF/FOPC17/DP02	Validation of Available Funding for Portfolio Optimization
GF/FOPC17/DP03	Approval of Local Bank Account in Serbia

15th Finance and Operational Performance Committee Meeting Decision Points

<p>Decision Point GF/FOPC15/EDP01 - Approval of Opening Accounts with the Central Banks of France and the United Kingdom</p> <p>1. The Finance and Operational Performance Committee (the “FOPC”) acknowledges:</p> <p>a. the Global Fund may open bank accounts only in jurisdictions where it maintains privileges and immunities (the “Bank Account Rule”); and</p> <p>b. the Secretariat’s request for an exception to the Bank Account Rule to open accounts with the central banks of France and the United Kingdom.</p> <p>2. Based on the recommendation of the Secretariat, as presented in GF/FOPC15/ER01, the FOPC authorizes the opening of accounts with the central banks of France and the United Kingdom to receive contributions and facilitate the timely management of a contribution’s exposure to foreign exchange risk.</p> <p>3. The FOPC directs the Secretariat to report on the implementation of this decision point at each subsequent FOPC meeting and notes the need to present any proposed exception to the Bank Account Rule for FOPC review and approval.</p>
<p>Decision Point GF/FOPC15/DP01: Approval of a local bank account in Vietnam and insurance mechanism for funds held in such account</p> <p>1. The Finance and Operational Performance Committee (the “FOPC”) acknowledges:</p> <p>a. Bank accounts may only be opened in jurisdictions where the Global Fund maintains privileges and immunities (the “Bank Account Rule”); and</p>

- b. The Secretariat's request to open a local bank account in Viet Nam to facilitate private-donor contributions.
2. Based on the recommendations of the Secretariat, as presented in GF/FOPC15/13, the FOPC authorizes the:
 - a. Opening of a local bank account in Viet Nam as an exception to the Bank Account Rule; and
 - b. Use of insurance to mitigate certain risks due to depositing and holding funds in local bank accounts.
3. The FOPC directs the Secretariat to report on the implementation of this decision point at each subsequent FOPC meeting and notes the need to present any proposed exception to the Bank Account Rule for FOPC review and approval.

16th Finance and Operational Performance Committee Meeting Decision Points

Decision Point GF/FOPC16/DP01: Recommendation of the 2016 OPEX Budget

1. The Finance and Operational Performance Committee (the "FOPC"):
 - a. Acknowledges its receipt, review and discussion of the Corporate Work Plan and Budget Narrative 2016, as set forth in GF/FOPC16/10, and decides to recommend it to the Board for approval at its November 2015 meeting;
 - b. Recognizes the inclusion of the Office of the Inspector General's 2016 budget, in the amount of USD 16.3 million, in the 2016 Operating Expenses Budget based on the recommendation of the Audit and Ethics Committee (GF/AEC13/DP05);
 - c. Decides to recommend the 2016 Operating Expenses Budget, up to the amount of USD 305.0 million, as set forth in GF/FOPC16/20, to the Board for approval at its November 2015 meeting; and
 - d. Notes operating expenses over the 2014 – 2016 period, including the 2016 Operating Expenses Budget, remain within the USD 900 million reserved for operating expenses at the time the Board approved the resources available for allocation over the 2014 – 2016 period.
2. Accordingly, the FOPC recommends the following decision point to the Board for approval at its November 2015 meeting:

Board Decision Point GF/B34/DPXX: 2016 Corporate Work Plan and Operating Expenses Budget

1. Based on the recommendation of the Finance and Operational Performance Committee (the "FOPC"), the Board approves the following:
 - a. Corporate Work Plan and Budget Narrative 2016, as set forth in GF/B34/XX; and
 - b. 2016 Operating Expenses Budget up to the amount of USD 305.0 million, as set forth in GF/B34/XX (the "2016 OPEX Budget"), which includes USD 16.3 million for the Office of the Inspector General's 2016 operating expenses based on the recommendation of the Audit and Ethics Committee.
2. The Board requests the Secretariat to include in its periodic reporting to the FOPC on budget matters:
 - a. The foreign-exchange impact on the 2016 OPEX Budget, as requested by the Board in 2010 (GF/B22/DP18), tracked against budget rate;
 - b. Budgetary variations by type of expenses; and

- c. Progress updates on the priority projects and activities outlined in the 2016 OPEX Budget.
3. The Board notes operating expenses over the 2014 – 2016 period, including the 2016 OPEX Budget, remain within the USD 900 million reserved for operating expenses at the time the Board approved the resources available for allocation over the 2014 – 2016 period.

Decision Point GF/FOPC16/DPO2: Approval of Changes to the Global Fund Provident Fund Constitutional Declaration and Benefits Rules

1. Under the authority delegated by the Board, the Finance and Operational Performance Committee approves the amended Global Fund Provident Fund Constitutional Declaration and Benefits Rules as set out in Annex 2 to GF/FOPC16/17, with an effective date of 1 January 2016.

Decision Point GF/FOPC16/EDPO1: Authorization to Sign Lease Contract

1. The Finance and Operational Performance Committee (“FOPC”) acknowledges:
- a) the previous decision of the Finance and Audit Committee, GF/B25/14/b: FAC Decision Point: Revocable and Conditional Promise to Lease, to endorse and authorize the Executive Director to sign the Revocable and Conditional Promise to Lease with respect to the future office of the Global Fund;
 - b) the material terms of the Lease Contract for Commercial Premises attached as Annex 1 (the “Lease Contract”) and the Side Letter of Agreement attached as Annex 2, to GF/FOPC16/18; and
 - c) the actions required by the Secretariat for continuing the project to construct the future office of the Global Fund (the “Health Campus Project”) through the completion of its construction phase as detailed in GF/FOPC16/18.
2. Based on the recommendations of the Secretariat, as presented in GF/FOPC16/18, the FOPC:
- a) endorses the continuation of the Health Campus Project; and
 - b) authorizes the Executive Director to execute the final Lease Contract and all related documentation, including the Side Letter of Agreement, necessary to enable the continuation of the Health Campus Project through the completion of its construction phase.

17th Finance and Operational Performance Committee Meeting Decision Points

Decision Point GF/FOPC17/DPO1: Approval of Amended and Restated Human Resources Policy Framework

2. Based on the recommendations of the Secretariat, the Finance and Operational Performance Committee approves the Amended and Restated Global Fund Human Resources Policy Framework as set forth in GF/FOPC17/13 – PART B (Revision 1), which incorporates updates to the salary scale, effective 01 January 2016.

The budgetary impact of this decision will be absorbed within the Board approved 2016 operating expenses budget.

Decision Point GF/FOPC17/DPO2: Validation of Available Funding for Portfolio Optimization

1. Based on its review and discussion of the Secretariat's risk-adjusted analysis of sources and uses of funds, as presented in GF/FOPC17/10, the Finance and Operational Performance Committee (the "FOPC") validates the following amount of available funding for portfolio optimization: USD 700 million.

Decision Point: GF/FOPC17/DPO3: Approval of Local Bank Account in Serbia

1. The Finance and Operational Performance Committee (the "FOPC") acknowledges:
 - a. Bank accounts may only be opened in jurisdictions where the Global Fund maintains privileges and immunities (the "Bank Account Rule"); and
 - b. The Secretariat's request to open a local bank account in Serbia to facilitate enforcement of a final arbitral award issued by an arbitral tribunal, which ordered a former Principal Recipient based in Serbia to remit funds to the Global Fund.
2. Based on the recommendations of the Secretariat, as presented in GF/FOPC17/17, the FOPC authorizes the opening of a local bank account in Serbia as an exception to the Bank Account Rule, including applying for a Serbian tax identification number.
3. The FOPC directs the Secretariat to report on the implementation of this decision point at each subsequent FOPC meeting and notes the need to present any proposed exception to the Bank Account Rule for FOPC review and approval.

Decision Points approved by the SIIC between 33rd BM and 35th Board Meetings

DP ref. No.	Title
15th SIIC Meeting, 16-17 June 2015	
GF/SIIC15/DP01	Location of the Third Partnership Forum of 2015
GF/SIIC15/DP02	Recommendation on Alignment of Strategic Cycle
GF/SIIC15/DP03	Distribution of Funding by Disease for the 2017 – 2019 Allocation Period
16th SIIC Meeting, 5-7 October 2015	
GF/SIIC16/DP01	Recommendation on Strategic Review 2015
GF/SIIC16/DP02	Approval of 2016 TERG Work Plan and Recommendation on 2016 TERG Budget
GF/SIIC16/DP03	Recommendation on Global Fund Strategic Cycle
GF/SIIC16/DP04	Recommendation on Market Shaping Strategy
GF/SIIC16/DP05	Recommendation on Strategic Framework 2017 – 2022
17th SIIC Meeting, 8-10 March 2016	
GF/SIIC17/DP01	Recommendation on the Challenging Operating Environments Policy
GF/SIIC17/DP02	Recommendation on the Strategy Narrative 2017 - 2022
GF/SIIC17/DP03	Recommendation on the revised Eligibility Policy
GF/SIIC17/DP04	Recommendation on the Sustainability, Transition and Co-Financing Policy
GF/SIIC17/DP05	Recommendation on the Allocation Methodology 2017 - 2019
GF/SIIC17/DP06	Technical Evaluation Reference Group Self-Evaluation

15th Strategy, Investment and Impact Committee Meeting Decision Points

<p>Decision Point GF/SIIC15/DP01: Location of the Third Partnership Forum Meeting for 2015</p> <p>The Strategy, Investment and Impact Committee decides the third Partnership Forum of 2015 will be held in Buenos Aires, Argentina on September 2 and 3, 2015²⁹.</p>
<p>Decision Point GF/SIIC15/DP02: Strategy Development Process – Alignment of Strategy Cycle</p> <p>Based on the recommendations of the Secretariat, as set forth in GF/SIIC15/16, the Strategy, Investment and Impact Committee decides to recommend the following decision point to the Board for approval:</p>

²⁹ As communicated by email from the Office of Board Affairs on 9 July 2015, the dates for the Third Partnership Forum were subsequently changed to 3-4 September 2015 after further discussion on availability of an appropriate venue in Buenos Aires.

GF/B34/DPXX: Strategy Development Process –Alignment of Strategy Cycle

1. Based on the recommendations of the Strategy, Investment and Impact Committee, as set forth in GF/B34/XX, the Board decides the Global Fund's strategy should cover a period that aligns the start of each strategy cycle to the start of a replenishment and allocation period.
2. Accordingly, the Board decides the next strategy should cover the six-year period that begins on 1 January 2017 and ends on 31 December 2022, with a mid-point review of progress and implementation alongside replenishment.

SIIC Decision Point: GF/SIIC15/DP03: Distribution of Funding by Disease for the 2017 – 2019 Allocation Period

1. The Strategy, Investment and Impact Committee (the "SIIC") notes the Board's decision under GF/B29/EDP11 to apportion the resources available for allocation at the start of the allocation period across HIV/AIDS, tuberculosis and malaria at the global level (the "Global Disease Split").
2. Based on the recommendations of the Secretariat, the SIIC directs the Secretariat to maintain and use the Global Disease Split established for the 2014 – 2016 allocation period and to prepare models, analysis and recommendations related to other parts of the allocation methodology for the 2017 – 2019 allocation period, taking into account feedback provided by the SIIC.

16th Strategy, Investment and Impact Committee Meeting Decision Points**Decision Point GF/SIIC16/DP01:**

Based on its review and discussion of the results and recommendations of the Technical Evaluation Reference Group's Strategic Review 2015, as presented in GF/SIIC16/06, the Strategy, Investment and Impact Committee agrees to recommend the following decision point to the Board for approval at its November 2015 meeting:

GF/B34/DPXX: Strategic Review 2015

1. Based on the recommendation of the Strategy, Investment and Impact Committee (the "SIIC"), the Board:
 - a. Acknowledges the results and recommendations of the Strategic Review 2015 commissioned by the Technical Evaluation Reference Group (the "TERG"), as presented in GF/B34/XX; and
 - b. Requests the Secretariat to consider the TERG's recommendations as it prepares the final strategy narrative that will be presented for the SIIC to review and recommend to the Board for approval by the first Board meeting in 2016.
2. The Board also notes its appreciation for the TERG and its evaluation team for their work to commission and produce the Strategic Review 2015.

Decision Point GF/SIIC16/DP02: Approval of the Technical Evaluation Reference Group's (TERG) 2016 Work Plan and Recommendation on the TERG's 2016 Budget

1. The Strategy, Investment and Impact Committee (the "SIIC") approves the Technical Evaluation Reference Group's (the "TERG") work plan for 2016, as presented in GF/SIIC16/05.

2. Accordingly, the SIIC recommends the 2016 TERG budget of USD 1.9 million, as outlined in GF/SIIC16/05, for inclusion in the Global Fund's 2016 operating expenses budget, which the Finance and Operational Performance Committee will review and recommend to the Board for approval.

SIIC Decision Point: GF/SIIC16/DP03: Recommendation on the Global Fund Strategy Cycle

The Strategy, Investment and Impact Committee agrees to recommend the following decision point to the Board for approval:

Decision Point: GF/B34/DPXX: The Global Fund Strategy Cycle

1. Based on the recommendations of the Strategy, Investment and Impact Committee (the "SIIC"), the Board decides the next strategy should cover the six-year period that begins on 1 January 2017 and ends on 31 December 2022 (the "2017 – 2022 Strategy"), with a mid-point review of progress and implementation.
2. The Board notes the importance of coherence between the strategy, allocation and replenishment, as well as the need to provide advanced articulation of the Global Fund's strategy and objectives to guide implementation planning, facilitate advocacy efforts and support mobilization of resources.
3. Accordingly, the Board directs the SIIC, or its successor committee, to develop a timeline for developing and finalizing the strategy that will commence immediately after the 2017 – 2022 Strategy as part of the mid-point review of the 2017 – 2022 Strategy.

SIIC Decision Point: GF/SIIC16/DP04: Recommendation on the Amended and Restated Market Shaping Strategy

The Strategy, Investment and Impact Committee notes its review and discussion of the amended and restated Market Shaping Strategy, as set forth in Annex 1 to GF/SIIC16/12 – Revision 1, and decides to recommend the following decision point to the Board for approval at its November 2015 meeting:

GF/B34/DPXX: Approval of the Amended and Restated Market Shaping Strategy

1. Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the amended and restated Market Shaping Strategy, as set forth in Annex 1 to GF/B34/XX (the "Amended and Restated Market Shaping Strategy").
2. This decision point and the Amended and Restated Market Shaping Strategy supersede Board decision point GF/B23/DP21 and the previous Market Shaping Strategy set forth in Annex 1 to GF/B23/09 – Revision 1.

The budgetary implications to fully implement this decision will be six additional full-time equivalent positions and USD 3.9 million over the six-year period of calendar years 2016 - 2021, which will be included in each year's operating expenses budget. Additionally, a one-time investment of USD 10 million is required to continue the revolving fund beyond calendar year 2016, as described in the Amended and Restated Market Shaping Strategy. The source of such funds will be confirmed by the Finance and Operational Performance Committee, or its successor, prior to the next allocation period that starts in calendar year 2017.

Decision Point GF/SIIC16/DP05: Recommendation on Strategic Framework 2017 - 2022

The Strategy, Investment and Impact Committee endorses the Strategic Framework 2017 - 2022, as set forth in GF/SIIC16/08 – Revision 1, and agrees to recommend the following decision point to the Board for approval:

GF/B34/DPXX: Strategic Framework 2017 – 2022

1. Based on the recommendation of the Strategy, Investment and Impact Committee (the “SIIC”), the Board approves the Strategic Framework 2017 – 2022, as set forth in Annex 1 to GF/B34/XX, and notes the next steps of presenting further details in a final strategy narrative and on implementation planning.
2. As such, the Board requests the Secretariat to submit the final strategy narrative through the SIIC for Board approval at the first Board meeting in 2016, taking into consideration lessons from implementing the current strategy, recommendations from the Strategic Review 2015, and additional input collected throughout the strategy development process.

17th Strategy, Investment and Impact Committee Meeting Decision Points

SIIC Decision Point: GF/SIIC17/DP01: Recommendation to the Board to approve the Challenging Operating Environments (COEs) Policy.

The Strategy, Investment and Impact Committee has reviewed and discussed the Challenging Operating Environments Policy, as set forth in Annex 1 to GF/SIIC17/16, and decides to recommend the following decision point to the Board for approval at its 35th Meeting in April 2016:

GF/B35/DPXX: Approval of the Challenging Operating Environments Policy

Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the Challenging Operating Environments Policy, as set forth in Annex X to GF/B35/xx.

Decision Point GF/SIIC17/DP02: Recommendation to the Board on the Strategy Narrative 2017 - 2022

Based on its review and discussion of the Global Fund Strategy 2017 – 2022: Investing to End Epidemics, as presented in Annex 1 to GF/SIIC17/o8 – Revision 2, the Strategy, Investment and Impact Committee agrees to present the following decision point to the Board for approval at its 35th meeting in April 2016:

GF/B35/DPXX: The Global Fund Strategy 2017 – 2022: Investing to End Epidemics

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/XX.

Decision Point GF/SIIC17/DP03: Recommendation to the Board on the revised Eligibility Policy

The Strategy, Investment and Impact Committee has reviewed and discussed the revised Eligibility Policy, as set forth in Annex 2 to GF/SIIC17/o4, and decides to recommend the following decision point to the Board for approval at its 35th Meeting in April 2016:

GF/B35/DPXX: Approval of the Revised Eligibility Policy

1. Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approves the revised Eligibility Policy, as set forth in Annex X to GF/B35/xx (the “Revised Eligibility Policy”).
2. Accordingly, the Board:

- a. Acknowledges this decision point and the Revised Eligibility Policy supersede Board decision point GF/B30/DPO5 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.

SIIC Decision Point: GF/SIIC17/DPO4: Recommendation to the Board on the Sustainability, Transition and Co-Financing Policy

The Strategy, Investment and Impact Committee has reviewed and discussed the Sustainability, Transition and Co-Financing Policy, as set forth in Annex 1 to GF/SIIC17/O3 – Revision 2, and decides to recommend the following decision point to the Board for approval at its 35th Meeting in April 2016:

GF/B35/DPXX: Approval of the Sustainability, Transition and Co-Financing Policy

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 X to GF/B35/xx (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/DPO5 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.

SIIC Decision Point GF/SIIC17/DPO5: Recommendation to the Board on the

Allocation Methodology 2017 - 2019

1. Based on its review and discussion of the Secretariat’s analysis and recommendations, as presented in GF/SIIC17/O6 – Revision 1, the Strategy, Investment and Impact Committee (the “SIIC”) decides to approve the following updated technical parameters for the 2017 – 2019 allocation period, as set forth in Table 1 of Annex 1 to GF/SIIC17/O6 – Revision 1:
 - a. Indicators for disease burden and country economic capacity;
 - b. Maximum and minimum shares for the allocation; and
 - c. External financing adjustment.
2. Furthermore, the SIIC endorses recommending Annexes 2 and 3 to GF/SIIC17/O6 – Revision 1 to the Board on the 2017 – 2019 allocation methodology.
3. As such, the SIIC recommends the following decision point to the Board for approval at its 35th meeting in April 2016:

GF/B35/DPXX: Allocation Methodology 2017 - 2019

1. The Board notes:
 - a. Its decisions in September 2012 (GF/B27/DPO7) and November 2012 (GF/B28/DPO4) that established the principles and framework for the allocation-based funding model (the “Funding Model Principles”);
 - b. Its decisions in October 2013 (GF/B29/EDP10 and GF/B29/EDP11) and March 2014 (GF/B31/DPO6, GF/B31/DPO7, GF/B31/DPO8, GF/B31/DPO9 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

- 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”).
2. Accordingly, based on the recommendations of the SIIC, as presented in GF/B35/XX, the Board:
 - a. Approves the allocation methodology presented in Annex 1 to GF/B35/XX (the “Allocation Methodology”);
 - b. Acknowledges the parameters for the 2017 – 2019 allocation period, as presented in Annex 2 to GF/B35/XX and approved by the SIIC at its 17th meeting in March 2016 (the “Technical Aspects”); and
 - c. Affirms the restatement of core parts of the Funding Model Principles, as presented in Annex 3 to GF/B35/XX (the “Affirmed Principles”).
 3. Accordingly, the Board:
 - 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;
 - 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
 - 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 Decisions.

Decision Point GF/SIIC17/DP06: Technical Evaluation Reference Group Self-and Peer Assessment

1. The Strategy, Investment and Impact Committee (the “SIIC”) acknowledges the Technical Evaluation Reference Group’s (the “TERG”) self- and peer-assessment and endorses the TERG’s proposed priorities and actions, as described in GF/SIIC17/15.
2. Accordingly, the SIIC requests the TERG to present the following to the new Strategy Committee for review and approval:
 - a. a multi-year strategic approach to the evaluation of the Global Fund Strategy 2017-2022 with budget options; and
 - b. revised Terms of Reference for the TERG.

Annex 2: Update on the workplan of the TGC

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TRANSITIONAL GOVERNANCE COMMITTEE HIGH LEVEL WORKPLAN - FOR CG REPORT

updated: 4 April 2016

KEY WORKSTREAMS & ASSOCIATED DELIVERABLES (Activities and workstream requiring active engagement by TGC members)					
FOR PRESENTATION AT NOVEMBER 2015 BOARD MEETING					
#	Key Activity (for TOR)	Key Deliverables	Overall workstream status	Next Steps	Responsible
1 Develop Performance Assessment Framework and oversee the process					
1.1	Develop a methodology for performance assessment of the Board and its committees	Performance Assessment Framework for Global Fund Board and committees, including overall assessment of governing bodies and their leadership.	COMPLETED	None	
1.2	Oversee the performance assessment process	Oversee the process of performance assessments of the Board and committees and their leadership for presentation to the Board.	COMPLETED	1. Conduct 360 degree assessment (survey) of Board and Board Leadership None	1. OBA - results to EGC in June
1.3	Implement full Governance Performance Assessment Framework	Engagement of an external service provider to support the full implementation of the Board approved Governance Performance Assessment Framework	IN PROGRESS	1. Identify Service Provider to support full implementation of Governance Performance Assessment Framework 2. Finalize board of implementation Governance Performance Assessment Framework	1. OBA
2 Finalize enhanced governance structure for Board approval					
2.1	Reconfigure three-committee structure	Finalized enhanced governance structure with re-aligned roles and responsibilities for Board approval	COMPLETED	None	
2.2	Support selection process for new structure	Support the process of identifying and nominating committee members for the enhanced committee structure for Board approval, through a competency-based nomination process based on experience, credentials and commitment to the organization in accordance with the Board and Committee Operating Procedures.	IN PROGRESS	1. Develop SOP for competency based review of committee leadership and membership nominations based on lessons learned	1. OBA
FOR PRESENTATION AT APRIL/MAY 2016 BOARD MEETING					
3 Develop proposals on the Board future size and composition					
3.3	Board Composition, Size and Voting Structure	Desk review / benchmark / assess and develop proposals on Board size, composition and voting structure.	COMPLETED	1. Facilitate discussion about future direction of the Global Fund around mid-point evaluation of the current Strategy	1. Ethics and Governance Committee with Strategy Committee
4 Oversee CCMs matters					
4.1	Oversee CCMs matters	Review results from the 2015 OIG Review on CCMs and provide recommendations to the Board.	COMPLETED	1. Regular updates on implementation of the CCM guidelines and associated performance 2. Regular reports on the on the performance of the CCMs in those activities related to their role as the local representative of the Global Fund partnership and in modeling the principles of ethical behavior and transparency.	1. Strategy Committee 2. Ethics and Governance Committee
5 Develop key components of the Governance Framework for Board approval					
5.1	Develop Guidelines for Lifecycle Management for Board and Committees including livestreaming	Guidelines and tools on-boarding and off-boarding of Board and committee leadership, Board and committee members.	IN PROGRESS	1. Develop and implement off-boarding process for exiting Board Members 2. Update Induction processes for new committee members	1. OBA 2. OBA
5.2	Develop Guidelines and best practices for constituency management including nominating and selecting members	Best practices for constituency management including suggested: i. Minimum requirements for member selection processes ii. Roles and responsibilities for constituency members iii. Communication principles and modalities.	NOT STARTED	1. Review of existing guidelines on constituency management in current constituencies 2. Develop best practice based guidelines for constituency management	1. OBA 2. EGC supported by OBA
5.3	Enhanced implementer engagement	Engagement with the Implementer Group as they develop Strategic Roadmap to enhance implementer engagement, including any updates to the Board for endorsement including a workplan and budget for support.	IN PROGRESS	1. Develop Implementer 3 year Roadmap/Workplan and present to Board	1. IMPLEMENTER GROUP
5.4	Livestreaming of Board Meetings	Develop proposal for the piloting of livestreaming of Board Meeting	IN PROGRESS	1. Implementer Board approved livestreaming	1. OBA
MONITORING AND OVERSIGHT ACTIVITIES (Routine committee activities or activities being performed by others and overseen by the TGC)					
6.1	Manage institutional memory; update Board document template to include section for past decisions (OBA)	Production of Institutional Memory Management Tools by OBA	COMPLETED	1. Ongoing maintenance of Institutional memory tools	1. OBA
6.2	Review of governance documents	No specific reference in the TOR. Updated documents are expected	COMPLETED	1. Revision of governing documents as needed	1. EGC
6.3	Oversee legal status issues	Report outlining current compliance status	COMPLETED	1. Oversight of any emerging issues concerning the legal status	1. EGC
6.4	Monitoring of implementation of Governance Plan for Impact recommendations	<u>Implementation of Cross-cutting model for KPI and Risk</u> Risk: o Bi-annual report on risk to committees (one report) o Annual assurance report o In-country verification of risk assessment (6x year) o Risk a standing item on each committee meeting agenda (2x year) o Coordination role of CG, Oversight role of Board Leadership o Board review of portfolio of risks vs risk appetite, approval of key risk policies o Training in risk management as part of induction provided to Board and Committee members KPI o Annual report on performance against KPI preference to relevant committees (one report) o Creation of online KPI Dashboard, management of KPI framework o Coordination role of CG, Oversight role of Board Leadership o Board review of performance against KPIs at first Board Meeting of the year	COMPLETED	1. Monitor coordination of cross-cutting elements	1. Coordinating Group

Annex 3: Governance Performance Assessment Action Plan

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Transitional Governance Committee Board and Committee performance assessment action plan

Geneva, Switzerland

Provides an overview of the Board and committee leadership action plan developed in response to the outcomes of the Board and committee annual performance assessments conducted in 2015.

I. Introduction of standardized governance performance assessments

01 Regular performance assessment of the Board and committees

1. In September 2015, the Board approved Governance Performance Assessment Framework developed by the Transitional Governance Committee (TGC) outlining the process for the annual assessment of the Board, its standing committees and their leadership.
2. Based on this framework, the TGC oversaw the process for the assessment of the Global Fund Board and committees in October and November 2015.
 - a. The period assessed for the Board was from April 2014 – March 2015, covering the 32nd and 33rd Board Meetings.
 - b. The period assessed for the committees included all committee meetings held in 2015.
3. Results of these assessments were presented at 34th Board meeting¹ and subsequently reviewed by the TGC, who identified areas where action had already been taken as well as made recommendations for continued action. These were discussed by the Coordinating Group, who developed the following Action Plan for addressing the areas of weakness.
4. The Action Plan outlines the areas which were rated as underperforming in the assessments and identified proposed actions to improve results in this area.

02 Board – Action Plan for Improvement

5. The areas identified during the assessment can be organized around 5 key areas: Altitude of Board discussions and degree of alignment within the Board; performance in 3 of the 6 Core Functions including on crosscutting issues; Informed Decision Making; Board Member Onboarding; and Efficiency of Board Meetings.
6. **Altitude of Board discussions and degree of alignment within the Board:** results demonstrated that there was a feeling that the Board was not operating at the right strategic level with too much time being focused on operational issues, or matters which could be handled within the committees. This issue was further exacerbated by the fact that the Board itself did not appear to be aligned on the future direction of the organization. It was equally felt that the composition of the Board was not flexible enough to react quickly to the changing development landscape. The recent approval of the Strategy Framework 2017-2022 and the alignment of the strategy around the Replenishment cycle is seen as a step forward.

#	Action for improvement	Estimated Timing	Lead
1	Board Retreat to be held with a focus on strategic alignment.	TBD	Board Leadership
2	Board alignment to be considered in the development of options on possible enhancements to the Board Composition to be presented to the Board by the TGC in April 2016.	April 2016	TGC
3	Improved agenda planning, allowing more time to focus on key strategic items. Explore alternative ways to present or provide the Board with regular update items. Agenda to continue to be shared with constituencies for comment before finalization.	April 2016 (35 th Board Meeting)	Board Leadership
4	Ensure that decision-making functions are appropriately executed at the committee level, to avoid re-opening matters at the Board meetings	Ongoing	Coordinating Group
5	Improve communication between the Board and committees via more transparency around committee discussions and decisions.	Ongoing	Board and committee leadership

¹ http://www.theglobalfund.org/documents/board/34/BM34_04-TGCSummaryResultsofPerformanceAssessment_Report_en/

7. **Performance in 3 of the 6 Core Functions of the Board including cross-cutting issues.** Areas of concern include: Risk Management, Governance Oversight and Assessment of Organizational Performance. While improvement has been acknowledged through the development of the Enhanced Governance structure and an increased focus by the Board, committees and Coordinating group on Risk management and Key Performance Indicators (KPIs), survey results indicate that these remain an area of weakness for the Board. The role of the Coordinating Group in relation to the activities of the Board and committees was identified as needing further specification.

#	Action for improvement	Estimated Timing	Lead
6	Fully implementation the Enhanced Governance Structure including new committee charters and updated Coordinating Group Terms of Reference (TOR)	July 2016	Board Leadership
7	Ensure a competency-based selection process for membership for the new committees	April 2016	Board Leadership and TGC
8	The Coordinating Group to ensure that consolidated Risk and KPI information is made available at the right level and frequency to the Board and follow the Board approved model for cross-cutting issues	Ongoing	Coordinating Group
9	Fully implement the Governance Performance Assessment Framework and conduct regular assessments of the Board, committees and their leadership – complete with follow up action plans to address areas of weakness.	Board - May 2016 Committee - Q2 - 2017	Enhanced Governance Committee

8. **Informed decision making:** respondents indicated a continued concern that the Board decision making processes were not necessarily fit-for-purpose and felt that there was an imbalance between constituency interests and the best interest of the Global Fund. Furthermore, there was a sense that the perspectives of all the Board constituencies were not always appropriately considered when developing and taking decisions. The introduction of the Ethics and Integrity Framework and the Code of Conduct for Governance Officials will assist Board members in effectively striking a balance between competing interests. The availability of committee documents on the Board Effect platform, and the opportunity for all constituencies to comment in advance of committee meetings has increased the transparency around the discussions occurring at committee level, however trust between the Board and the committees still requires strengthening.

#	Action for improvement	Estimated Timing	Lead
10	Include discussion of the current decision making practices at the next Board Retreat	TBD	Board Leadership
11	Ethics Officer to be engaged and provide relevant trainings to Board and committee leadership to ensure the effective management of ethical issues as they emerge.	EO to join in Q2 2016.	Ethics Officer
12	Ensure that membership of the Ethics and Governance committee has the necessary ethical skills to fully implement this part of the committee's mandate.	April 2016	Board Leadership/ TGC

9. **Board Member onboarding:** Respondents reported that orientation for new Board Members had been provided in an ad hoc rather than systematic way. The recent introduction by the Office of Board Affairs of a standardized onboarding program is aimed at ensuring that Board Members are sufficiently informed in advance of their first Board meeting. This program increases the amount of information and support available to new members of the Board as they engage in their new duties. The lack of sufficient orientation around the assurance functions in place at the Global Fund (Office of the Inspector General, Risk, and Ethics) was also highlighted as an ongoing concern.

#	Action for improvement	Estimated Timing	Lead
13	Continue roll-out of Board Member Onboarding program including virtual orientation sessions prior to the next Board Meeting covering the key areas of relevance to the Board including assurance matters.	April 2016	Office of Board Affairs

Onboarding program to be supported by an online E-Learning Module for Board Members.	(E-Learning Module – Q3- 2016)	
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10. Efficiency of Board meetings: Results of the survey indicate that there is some room for improvement in the overall efficiency of the Board meetings beyond the issue of operating at the right altitude mentioned above. This includes the timeliness of documents and the lack of availability of translated versions of key documents which can present a challenge for constituencies who need to consult across a wide range of members. Although efforts have been made to reduce the volume of documentation required for Board meetings, some respondents continue to feel that this still remains excessive. There are conflicting reports among the respondents around the level of detail being provided – some report that it is too operational whereas others feel that it does not provide sufficient detail for informed decision making.

#	Action for improvement	Estimated Timing	Lead
14	Increased efforts to be made to ensure documentation is available within the timeframes specified in the Board Operating Procedures, with translated versions of key documents being made available.	Ongoing	OBA
15	Quality, timeliness and volume of documentation to be monitored through the regular Board performance assessments	Post April 2016 Board	Ethics and Governance Committee

03 Board Leadership – Suggestions for effective management of the Board

11. As the Board Leadership had just been appointed to their new roles at the time of the assessments, no assessment of their performance was possible. However, survey respondents were asked to provide their suggestions for how the Board Leadership could effectively management the Board and its meetings. The Board Leadership were provided with these suggestions and have prepared an update on how these have been or are currently being addressed. This update will be shared by Board Leadership directly with the Board under separate cover.

04 Committee – Action Plan for Improvement

12. The areas identified during the assessment of committee performance can be organized around 3 key areas: Selection and Onboarding of committee members; Cross-cutting and overlapping issues between committees; and incorporation of views of non-represented constituencies.

13. Selection and Onboarding of members: some concerns were raised around the selection of the members for the committees, particularly around the need for an increased focus on transparency during the selection process as well as ensuring that members have the appropriate competencies for the committees. It is envisioned that this issue will be addressed by the creation of the Ethics and Governance Committee, who are charged with the oversight of the process to ensure that a transparent and competency based process is used in the selection of committee members. The need for this selection to be supported by a standardized and robust onboarding program, focused on the committee responsibilities was also noted.

#	Action for improvement	Estimated Timing	Lead
1	Pending the initiation of the EGC, the TGC will oversee the process for the selection of the members of the incoming committee to ensure transparency and a competency-based process.	Feb – Apr 2016	Board Leadership with TGC
2	Induction program to be included as a pre-day to the 1 st set of committee meetings under the Enhanced Governance Structure	July 2016	Office of Board Affairs

14. Cross-cutting and overlapping areas between committees: While the majority of respondents to the survey felt that the nature of the responsibilities delegated to the committees was appropriate, it was felt that there were too many overlaps in the mandates of the committees. This was further complicated by the fact that the coordination between the committees of cross-cutting matters was not optimal – particularly in the area of Risk Management.

#	Action for improvement	Estimated Timing	Lead
3	Coordinating Group to focus more strongly on ensuring the effective coordination of cross-cutting activities and that these are brought to the Board at the right level.	Ongoing	Coordinating Group
4	New committee charters outline committee responsibilities more clearly, these will be applied when the new committees begin their terms in July 2016.	July 2016	Coordinating Group
5	Coordinating Group to actively discuss the agendas for each committee meeting and proactively identify cross-cutting issues and determine how best to address these in advance.	Ongoing	Coordinating Group

15. Incorporation of views of non-represented constituencies: The communication between committees and the Board constituencies not represented among their members was identified as a continuing issue. Non-represented constituencies reported not having a clear understanding of the nature of the discussions at the committee level, which preceded an item being presented to the Board.

#	Action	Estimated Timing	Lead
5	Encourage partnerships/pairing between constituencies to share information from the committees	Ongoing	Coordinating Group
6	Board Members or Alternates may attend committee meetings as Observers and feed information back to their constituencies.	July 2016 forward	Individual constituencies

05 Committee Leadership – Action Plan for Improvement

16. The key improvement identified for committee leadership was to ensure an effective transition between incoming and outgoing leadership to ensure continuity of committee matters during periods of transition.

#	Action	Estimated Timing	Lead
1	Incoming leadership should attend the final meeting of the previous leadership's term.	March 2016	Coordinating Group

06 Individual committees – Action Plan for Improvement

17. This document covers the areas for improvement highlighted during the 360 degree committee assessments. However, in 2015, the individual committees conducted self-assessments following each committee meeting and discussed the results of these assessments during face-to-face meetings. The outputs from these meetings provide more detailed management actions which will be passed on to incoming committee leadership in June 2016 and which will continue to be discussed and monitored within the committees and by the Coordinating Group.

18. The areas identified for improvement among the three standing committees were focused around the management of the KPIs and the treatment of risk-related matters. There is a lack of clarity on how the risks and implications on impact of initiatives are currently being considered within the committees.

#	Action	Estimated Timing	Lead
1	Committee leadership to ensure that the risks and implications on impact are discussed for each new initiative and that the results of this discussion are recorded in the note for the record of each meeting.	Ongoing	Coordinating Group
2.	Approved model for cross-cutting issues to be implemented in each of the committees and the risks falling within their mandate should become a standing item on each committee agenda.	Ongoing	Coordinating Group

07 Taking the Action Plan forward

19. The developed action plan will be monitored by Board Leadership alongside the Ethics and Governance committee. Regular updates will be provided to the Board and committees at least bi-annually, either through existing reporting mechanisms, such as the CG report, or via a stand-alone communication.

08 Future assessments

20. The next assessment for the Board, as well as Board Leadership, is planned for May 2016, following the 35th Board Meeting.

21. The next assessment for the committees is planned for Q2 2017, once the new committee structure has been in effect for one year.