



Independent observer  
of the Global Fund

## Main Decisions Made at Board Meeting

On 11-12 May 2011, the Global Fund Board held its 23<sup>rd</sup> meeting in Geneva, Switzerland. GFO was present, with observer status. The main decisions made at the meeting, in chronological order, were as follows. (For precise wording of what the Board agreed, see the decision points document that is due to be posted at [www.theglobalfund.org/en/board/meetings/twentythird](http://www.theglobalfund.org/en/board/meetings/twentythird). Background documentation will also, in time, be posted by the Fund at the same location.)

**High-level independent review panel:** The Board formally approved the establishment of a high-level independent panel to review the Fund's fiduciary controls and oversight mechanisms. The panel was set up because of negative press reports in January about corruption among Global Fund grant implementers in four countries, and consequent decisions by Germany, Denmark and the European Commission to delay delivery to the Fund of their 2011 pledges. The panel is co-chaired by former President of Botswana Festus Mogae and former U.S. Health and Human Services Secretary Michael Leavitt. The other five members are (Ms.) Zeinab Bashir El-Bakri, former Vice President for Sector Operations, African Development Bank; Norbert Hauser, Vice President, German Federal Court of Auditors; Gabriel Jaramillo, Chairman of the Board, Sovereign Bank and Santander Holdings USA, Inc.; Barry O'Keefe, former Justice, Supreme Court of New South Wales, Australia; and Claude Rubinowicz, Chief Executive, Agency for Public Intangibles of France. The lead consultant to the panel, and its focal point, will be Bill Steiger, who was involved in the U.S. board delegation to the Fund for many years. The panel's final report will be delivered to the Board, and made public, by 15 September 2011. The panel's work will cost about \$2.2 million. [See Decision Point 4.]

**Election of the Chair and Vice-Chair:** The Board elected [Martin Dinham](#) to serve for the next two years as Chair and Dr. [Mphu Ramatlapeng](#) to serve for the same period as Vice-Chair. Mr. Dinham is a British citizen who recently retired as a Director General with the U.K. Department for International Development

(DFID). Dr. Ramatlapeng is Minister of Health of Lesotho; she surprised and amused board members by giving her entire self-introduction in Russian. (She earned a medical degree in Moscow.) This is the first time that board rules have permitted the election of a Chair and Vice-Chair who were not already board members. The Chair and Vice-Chair will not have votes and will not represent any country or voting block; their role is to serve the entire board in a neutral manner. [See Decision Point 5.] Normally, new Board Committee members and leaders are appointed at the same time as the new Chair and Vice-Chair. But this time, the current committee membership and leadership will continue until replacements are chosen later this year. [See Decision Point 6.]

Reform issues: The Board endorsed the broad directions of the Plan for Comprehensive Reform presented by the Board's Comprehensive Reform Working Group (CRWG). The plan touches on almost all aspects of the operations of the Global Fund. The following five paragraphs describe decisions taken by the Board in five areas where the CRWG says "early gains" can be made. [See Decision Points 7 and 13.]

Reform issues – Fiduciary controls. The Board asked the Secretariat to develop an accountability framework for fiduciary control and risk management; to strengthen the application and enforcement of minimum PR requirements; to develop a fully transparent information system and an effective communications strategy; and to develop a response mechanism to audit and investigation findings that is "calibrated and differentiated" – such that grants or parts of grants that are not affected by negative findings of the Office of the Inspector General (OIG) are allowed to continue unhindered. The board also asked its Finance and Audit Committee (FAC) to review and refine the scope of the audit and investigation functions, including more precisely defining the boundaries between the OIG and national authorities, and determining how much should be spent on fraud investigations. [See Decision Point 8.]

Reform issues – Value for money: Recognising that one way to improve value for money is for the Global Fund to leverage its role as the primary financier of essential health products, the Board asked its Market Dynamics and Commodities Ad-Hoc Committee (MDC) to propose to the next meeting of the Board expanded uses of the committee's "toolkit" of market interventions. To further the objective of value for money, the Board asked the Secretariat (a) to fully implement voluntary pooled procurement; (b) to "aggressively execute" the recommendations of the MDC (see below); (c) to determine reference prices that the Global Fund will pay for certain products; and (d) to set limits on how much money the Global Fund will provide for expenditures on items that carry a risk of overuse or inefficiency (e.g., vehicles). As a general rule, the board said, when value for money efforts generate savings, the money saved should be applied by the countries in question to scaling up efforts against the three diseases. [See Decision Point 9.]

Reform issues – Partnerships: The Board asked the Secretariat to strengthen country-level mechanisms involving formalised agreements among in-country stakeholders in order to ensure that technical support and capacity building are provided where needed. The Board also asked the Secretariat to use existing grants budgets to fund partner organisations, where agreed by the country coordinating mechanism (CCM) and the PR, as a way of paying for support for grant implementation, particularly in bottleneck situations. [See Decision Point 10.]

Reform issues – Business model: The Board decided that the Global Fund will alter its business model to place greater emphasis on disease impact and value for money. The board also decided that the Global Fund's application and grant implementation systems will be adapted to better take into account the performance record of the grant, PR and country; the risk represented by the grant; and the relative size and role of the Global Fund in-country. In addition, the Board decided that the Global Fund should measure the effectiveness of its business model, with particular regard to (a) health impact on the three diseases; and (b) transaction costs. Finally, the board asked the Secretariat to identify ways to strengthen the application of performance-based funding; and to strengthen the tracking and enforcement of additionality (i.e., ensuring that money provided by the Global Fund does not simply replace other funding,

but is clearly additional to such funding). [See Decision Point 11.]

Reform issues – Governance: The Board asked the incoming Chair and Vice-Chair to lead and oversee a process of governance reforms. The reforms that may be considered include (a) establishing an executive committee of the board; and (b) reviewing the role and oversight of the Technical Review Panel (TRP), the Technical Evaluation Reference Group (TERG) and the OIG. [See Decision Point 12.]

Global Fund Strategy Framework: The Board formally endorsed a schedule for the development of the Global Fund strategic plan for 2012-2016. (See previous [GFO article](#) on the strategic planning process.) [See Decision Point 14.]

Replenishment of TERG members: The Board appointed Dr. Viroj Tangcharoensathien, Dr. Mickey Chopra, Dr. Atsuko Aoyama and Dr. Paulin Basinga as new members of the Technical Evaluation Reference Group (TERG). [See Decision Point 15.]

Continuation of funding for three NSA grants: The board approved extension funding for three first learning wave national strategy application (NSA) grants: Madagascar (malaria), Rwanda (TB) and Rwanda (HIV). These extensions will have priority over funding for new proposals. The two CCMs involved want to continue under the NSA umbrella when their grants expire in 2012, but Round 11 and the concurrent NSA second wave are too early for these countries to apply (because their new national strategies will not be ready) and Round 12 will be too late. The Board decision includes a complicated formula for determining the duration and amount of the three funding extensions. The Board asked its Policy and Strategy Committee to consider a long-term solution to this problem (i.e., for other countries and grants that find themselves in a similar situation in future). The Board said that it will decide by December 2011 whether there will be another NSA funding opportunity after the second wave. [See Decision Point 16.]

Revised CCM guidelines: After failing in its first attempt (at the last Board meeting in December 2010), the Board approved revised guidelines for country coordinating mechanisms (CCMs). The six minial counsel has determined that the Fund is entitled to claim reimbursement of tnum requirements which CCM applicants have to meet to be eligible for funding have not been significantly altered. (See separate article and commentary in this issue.) [See Decision Point 17.]

Terms of reference of the Technical Review Panel (TRP): The board delegated to its Portfolio and Implementation Committee (PIC) the authority to make some minor changes to the terms of reference of the TRP. The changes will reflect new board policies in areas such as counterpart financing criteria and value for money. [See Decision Point 18.]

Whistle-blower policy: The Board approved a new whistle-blower policy. The new policy merges two previous policies, one of which was for the Secretariat and other governance bodies, and one of which was for in-country players. As before, the policy includes provisions to protect against retaliation against whistle-blowers. The new policy updates the list of “reportable conduct,” and updates the details of both confidential and anonymous reporting. The new policy should be posted shortly on the [pages of the Office of the Inspector General](#) on the Global Fund website. [See Decision Point 19.]

Declaration of interest form: The Board approved a new and simplified declaration of interest form. This form is used by Global Fund employees and certain other people in connection with the Global Fal counsel has determined that the Fund is entitled to claim reimbursement of tund’s conflict of interest policies. [See Decision Point 20.]

Global Fund market dynamics strategy: The Board adopted a “market-shaping strategy” which, it says, will “dramatically expand” the Global Fund’s impact on the three diseases. Among other things, the strategy

will attempt to accelerate the introduction of new, more cost-effective products; and strengthen countries' capacity to do procurement. The Board asked the Secretariat to make whatever policy and procedural changes are necessary to implement the strategy. [See Decision Point 21.]

Priority market dynamics interventions – pediatric ARVs: Recognising that the phase-out by UNITAID of its pediatric HIV programme raises the risk of supply disruptions for some Global Fund grant programmes, the Board asked the Secretariat to prioritise those parts of the market-shaping strategy (see previous item) that relate to pediatric antiretroviral treatment. (UNITAID is an international facility for the purchase of drugs for HIV, TB and malaria.) [See also Decision Point 21.]

Expediting transition to fixed-dose combinations (al counsel has determined that the Fund is entitled to claim reimbursement of tFDCs) of artemisinin-based combination therapies (ACTs): The Board adopted a policy whereby, once the Secretariat has determined that there are two FDC finished pharmaceutical products of an ACT formulation for the treatment of uncomplicated malaria that are available and that meet the Global Fund's standards, all principal recipients (PRs) will be notified of this determination and, 90 days later, PRs will be required to purchase one of the FDCs of that specific ACT formulation. [See Decision Point 22.]

Eligibility, prioritisation, cost-sharing: The Board approved new criteria for eligibility, prioritisation and cost-sharing. From now on, for each new round of funding, there will be two funding pools – general and targeted. The criteria for each pool are a little different. A new criterion – history of recent funding – has been added to the eligibility criteria. Under the new counterpart financing criteria, all countries, regardless of income, will have to make a minimum contribution to the national disease programme. Under the new prioritisation criteria, disease burden is accorded considerably more weight than it was before. [See Decision Point 23.] (See also next article.)

Commitment to transparency: The Board reaffirmed the Global Fund's "strong and continuing commitment" to the highest standards of transparency and accountability. It also reaffirmed the Fund's commitment to a fully independent and transparent Office of the Inspector General (OIG). The Board added that it looks forward to receiving views and recommendations on these matters from the above-mentioned High-Level Independent Review Panel. [See Decision Point 24.]

Exceptional extension funding related to the timing of the approval of Round 11 proposals: The Board approved exceptional extension funding for expiring grants in situations where continuity of funding will be interrupted by the fact that Round 11 is being launched later than originally planned. Only applicants that apply for funding in Round 11 to continue the activities of an expiring grant will be eligible to request extension funding. The costs of the extension funding could be as high as \$202 million, but will likely be considerably less than that. These costs will reduce the amount of funding available for Round 11. [See Decision Point 25.]

Release of Mali investigation report: The Board approved the release of the redacted version of the OIG's report on the investigation in Mali. "Redacted" means that the names and titles of some individuals being investigated, and the names of some organisations being investigated, are removed or "blackened out" so as not to prejudice ongoing criminal investigations. [See Decision Point 26.]

Losses and recoveries report: The Board agreed on the format for a "Losses and Recoveries Report" to be published prior to each regular Board meeting. The report will consist primarily of a table showing, for each country or PR for which the OIG has conducted an audit or investigation, information on how much money (if any) the OIG has determined should be repaid to the Global Fund as a result of the following forms of loss: (a) fraud; (b) expenditure unsupported by appropriate documentation; (c) expenditure on activities ineligible for support under the grant in question; and (d) "other." Losses shall only be recorded in the table when (i) the CCM and PR have been given a chance to comment, and their response has been incorporated in the relevant OIG published report; (ii) the Secretariat's comments have been

considered by the OIG; (iii) the Fund's legal counsel has determined that the Fund is entitled to claim reimbursement of the money; and (iv) the amounts in question have already been specified and explained in published OIG reports. The table will not show a "denominator" figure – that is, it will not show how much money has been disbursed under the grant(s) in question or what portion of the grant the OIG has reviewed, and thus it will not enable readers to compute what percentage of the grant(s) had ended up as a "loss." However, the Board asked the High Level Review Panel to advise on that particular aspect. [See Decision Point 28.]

[Read More](#)

---