

# 37<sup>th</sup> Board Meeting

## Report of the 37<sup>th</sup> Board Meeting

03 - 04 May 2017, Kigali, Rwanda

GF/B37/30 – Revision 1

03 - 04 May 2017, Kigali, Rwanda

**Board Decision**

## Purpose

This document presents the Report of the 37th Global Fund Board Meeting, held in Kigali, Rwanda, from 3-4 May 2017.

Agenda items. The Meeting comprised of twenty two (22) agenda items, including three executive sessions. One agenda item was removed.

Decisions. The Report includes a full record of the fourteen (14) Decision Points adopted by the Board (Annex 1).

Documents. A document list is attached to this Report (Annex 2). Documentation from the 37<sup>th</sup> Board Meeting is available [here](#).

Presentations. Presentation materials shown during the meeting are available to Board Members on the [OBA Portal](#).

Participants. The participant list for the 37<sup>th</sup> Board Meeting can be consulted [here](#).

Glossary: a glossary of acronyms can be found in Annex 3.

*The Report of the 37th Board Meeting was approved by the Board of the Global Fund via electronic vote on 14 August 2017 (GF/B37/EDP01).*

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## Agenda Item 1: Board Meeting Opening

1. The Board Leadership extended its special gratitude to the Government of the Republic of Rwanda for inviting and hosting the 37th Global Fund Board Meeting and for the opportunity to interact with decision makers, health professionals, and civil society representatives in the country with one of the best-functioning health systems in Africa. The Board Leadership welcomed the new Members and Alternates of the Board, the invited guests, and outlined the key decisions for Board's approval during the meeting.
2. The traditional candle of remembrance was lit by Honorable Minister Professor Awa Coll-Seck, Board Member for the West and Central Africa (WCA) constituency, followed by a minute of silence. The Board Leadership jointly expressed its thanks and appreciation to outgoing Executive Director, Dr Mark Dybul, at the last Board meeting in his capacity as the Global Fund Executive Director.

## Agenda Item 2: Approval of the Board Leadership Terms of Reference & Appointment of the Board Chair and Vice-Chair

3. Presentation. The Vice-Chair of the Ethics and Governance Committee (EGC), presented an overview of the Board Leadership Selection Process, including the EGC's involvement in the process. Since December 2016, the EGC led a broad consultation process on the proposed revisions to the Board Chair and Vice-Chair Terms of Reference (BL ToRs). Distinct differences between the Chair and Vice-Chair include the availability of an honorarium for both the incoming Chair and Vice-Chair, clarification on necessary time commitment and increased accountability, and an emphasis on complementarity between the Board Chair and the Board Vice-Chair.
4. Following the motion to approve the revised Board Chair and Vice-Chair Terms of Reference, the Vice-Chair of the EGC presented the selection process for the new Chair and Vice-Chair. The EGC had a direct role in ensuring an enhanced due diligence review of the nominated candidates.
5. The Communications Focal Point for the Communities Constituency<sup>1</sup> presented the Implementer Voting Group's internal selection process and final candidate for the Chair of the Board, Mrs Aida Kurtović. Mrs Kurtović thanked the Group's Selection Committee Chair and colleagues for the work undertaken, expressing gratitude for having been selected.
6. On behalf of the Chair of the Donor Group, the Board Member of the UK Constituency presented the Donor Group's nomination of their candidate for the Vice-Chair, Ambassador John Simon. Ambassador Simon expressed great appreciation for his nomination and emphasized his commitment to leverage his experience in innovative financing.
7. Decision Point and conclusions. The Board:
  - a. Unanimously approved the revised Board Chair and Vice-Chair Terms of Reference as set forth in [GF/B37/22 – Revision 1 \(GF/B37/DP03\)](#).
  - b. Unanimously approved the appointment of the Board Chair and Vice-Chair as set forth in [GF/B37/08 \(GF/B37/DP04\)](#).

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<sup>1</sup> Acted on behalf of the Chair of the Implementer Group during the implementer selection process and as the Chair of the Board Chair Nominating Committee (BCNC), established to oversee the implementer selection process, review and evaluate the candidates.

### Agenda Item 3: Update from the Executive Director

8. Opening remarks. In view of this being his last Board Meeting, Dr Mark Dybul expressed his thanks and appreciation to the Government of the Republic of Rwanda for hosting the 37<sup>th</sup> Global Fund Board Meeting. He particularly addressed His Excellency, President Paul Kagame, who over the past years has been a strong supporter, an engaged champion and advocate for the Global Fund. Dr Dybul recognized the work and achievements of the outgoing Board Chair and Vice-Chair and thanked the Board for the close collaboration with the Secretariat and accomplishments, especially recognizing the approval of the ambitious Global Fund Strategy 2017-2022.
9. In his address to the Board, the Executive Director highlighted selected priorities and overarching megatrends towards maximizing impact, such as sustainability, transition and co-financing, population growth and mass mobility of ideas and people.
10. In response to Dr Dybul's presentation, the Board made the following comments and remarks:
  - a. Appreciation remarks. The Board unanimously expressed its gratitude and thanks to the Government of the Republic of Rwanda. The Board also extended its thanks to the outgoing Board Chair and Vice-Chair for their leadership and engagement resulting in the Board's growth and progress, while expressing its warm welcome to the incoming Board Chair and Vice-Chair.
  - b. Appreciation to outgoing Executive Director, Dr Mark Dybul. The Board recognized and applauded Dr Mark Dybul for his inspiring and impactful leadership and championship ([GF/B37/DP13](#)). The Board acknowledged Dr Dybul's tireless efforts in embracing ambitious goals to end the three epidemics, commitment to a strong partnership approach, positioning the Global Fund visibly in the international development space, engagement in building resilient and sustainable systems for health (RSSH), and influencing reduction of vulnerabilities and barriers related to gender inequalities, key populations and violation of human rights. The Communities Delegation called for increased investments on interventions that remove barriers on human rights and for community advocacy with the focus on quality and not quantity.
  - c. Adolescents and role of youth. Several constituencies endorsed the ED's emphasis on the critical role of adolescents and youth, and an increased focus around effective tailor-made adolescent programming. Constituencies recognized the relevance of closer dialogue and consultation with young people to better understand, and adequately address, the needs of adolescent, women and young girls.
  - d. Economic mobile populations. Constituencies called for more investments and interventions towards improved collaboration and dialogue among the regions. Examples proposed suggested establishment of specific coordinating mechanisms to improve engagements in regions, provide good services and support to all who need, including migrants.
  - e. Partnerships. Several constituencies reiterated that the principle of partnership, to which the Board is deeply committed, requires more effective operationalization, by putting a strong focus on implementation with technical partners. The Board acknowledged the challenge of replenishment in 2019, with several replenishments/fundraising events scheduled around the same time. Changes in financing, domestic and international are inevitable. The Board needs to consider not only innovative financing but also to ensure necessary synergies between the Global Fund and other agencies' replenishment processes.
  - f. Innovative financing. Several constituencies called for continuous efforts in identifying financial initiatives and mechanisms that will allow countries to complete a responsible transition and ensure sustainability. One constituency raised a concern regarding loan buy-down mechanisms and noted that the macroeconomic situation in some transitioning countries might not make this a viable option. Others endorsed Dr Dybul's conclusion on the shift from an era of traditional development financing towards more holistic development financing.

- g. Focus on implementation. The Board needs to remain focused on achievement of best outcomes i.e. by working with partners to build RSSH, targeting efforts towards most vulnerable groups, particularly young people, women and girls, and focusing on high-impact countries. To pursue these goals and perform its mandate effectively, the Board appreciates having quality information in order to engage, advise and prioritize.
  - h. CCMs. In terms of oversight and implementation, one constituency called for increased attention to the business model and the CCM role in implementation oversight to achieve anticipated impact.
  - i. Grant absorption. One constituency recognized grant (low) absorption as an ongoing challenge, which results from weaknesses in the health systems, particularly in the areas of supply chain management. Low absorption may be improved by enhancing working relationship between country teams and CCMs and developing rules of engagement across the portfolio, which would facilitate quick resolution of grant implementation issues and ultimately improve grant absorption.
11. The Board expressed its confidence in the continuous effective and efficient management of the Secretariat under the incoming Interim Executive Director and welcomed Dr Marijke Wijnroks in this role.

#### **Agenda Item 4: Board Meeting Special Session**

12. His Excellency, the President of the Republic of Rwanda, Mr Paul Kagame, cordially welcomed all gathered. The President recognized the Global Fund as a valuable partner in transforming Rwandan lives and noted that the impact shows that more Rwandans than ever are receiving antiretroviral treatment, elimination of mother-to-child transmission of HIV remains on track, mortality from tuberculosis and malaria has decreased significantly, as has maternal and child mortality, leading to life expectancy increases of almost 20 years.
13. His Excellency recognized that the Global Fund is possibly the most consequential and effective development partnership, where cooperation and partnerships tackle major health threats and address many other global challenges. *“The Fund was itself an innovation, a fundamentally new way of doing business. Building on that, it has the spirit to do the right thing and the flexibility do it well. Let’s not take this for granted...”*
14. His Excellency thanked all the partners who contributed to the 5<sup>th</sup> Replenishment of the Global Fund, commended the Global Fund’s efforts to uphold the principles of transparency and accountability, and called all partners to continue remaining focused on agreed goals by using available resources more efficiently and effectively. He closed his speech by thanking Mr Norbert Hauser and Mrs Aida Kurtović for their Board leadership and recognized the distinguished service of the departing Executive Director, Dr Mark Dybul.

#### **Agenda Item 5: 2016 Financial Performance & 2017 Projections, and 2016 Annual Financial Report & External Audit Opinion**

15. Presentation. The Secretariat presented (i) the 2016 Annual Financial Report covering the Consolidated Financial Statements and Statutory Financial Statements, for Board approval and issuance, (ii) the external audit opinion for information, and (iii) an update on financial performance ([GF/B37/02](#)).
16. The Secretariat noted that, as of 12 December 2016, the contribution income was USD 5.2 billion. This was a more than two fold increase in comparison to the previous fiscal year, driven by new contribution agreements signed for the 2017-2019 period. The early encashment of contributions towards the Fifth Replenishment has also contributed to higher cash levels in balance sheet.

17. The External Auditor of the Global Fund confirmed that the 2016 external audit exercise resulted in an unqualified audit opinion, without any management letter points or audit adjustments.
18. The overview on financial performance encompassed pledges and contributions, grant expenses and disbursements, a balanced Asset and Liability Management (ALM) view for uses and sources of funds for the 4<sup>th</sup> Replenishment, USD 15.4 billion, and the 5<sup>th</sup> Replenishment, USD 12 billion including the USD 1.1 billion transferred from the 2014-2016 to the 2017-2019 cycle. There was a significant foreign exchange impact on the resources raised for the 2014-2016 period, which resulted in a USD 900 million decrease. The actual 2016 grant expenditure, USD 4 billion, is slightly lower than the 2015 figure, and in line with the fewer number of grants approved in the last year of the 4<sup>th</sup> Replenishment. Disbursements increased by 11% up to USD 3.5 billion. The actual 2016 OPEX figure accounted for USD 288 million representing a -5.5% difference against the Board approved amount.
19. Board discussion. The AFC Chair stated that the committee focused its oversight on strengthening the forecast and the portfolio optimisation processes, implementation of the foreign exchange management framework, unlocking bottlenecks to mobilizing additional resources for Global Fund programs and efficient use of OPEX resources. The AFC, together with the SC, will further explore the linkages between financial and programmatic data.
20. The Board commented on the following:
  - a. Financial management. The Board commended the Secretariat for the overhauling of financial management processes during the 4<sup>th</sup> Replenishment cycle. This has allowed constituencies to have discussions on portfolio optimization and better management of foreign exchange impact. The Board further applauded the finalization of the financial statements with no managerial actions and the underspend of the approved 2016 OPEX budget. One constituency noted that the enhanced financial management needs to be matched with programmatic results.
  - b. Resource Mobilization. The Board was pleased with the early transformation of 5<sup>th</sup> Replenishment pledges into contributions, and the increased contributions from non-traditional donors, such as the private sector. It was emphasised that additional work is required on the Resource Mobilization plan and strategies (e.g., to revisit the current governance model at the Global Fund to broaden the donor pool).
  - c. Absorption capacity. While appreciating portfolio optimization management to ensure full usage of Global Fund resources, the Board would like to focus on absorption capacity bottlenecks, by better understanding underlying financial and programmatic data, collaboration with partners and efforts such as ITP. One constituency presented a position paper, supported by other constituencies, on the prioritization framework and absorption capacities linked to systemic difficulties (often RSSH-related) faced by some countries. It has the ambition to allow all countries to make full use of their allocated resources for a given replenishment period in order to help them tackling those bottlenecks and, in the future, getting sufficient levels of allocation to meet their needs.
  - d. OPEX. One Constituency commended the management of a flat average of an annual USD 300 million within budget over the 2014-2016 period, while recognising the Secretariat has been commissioned to deliver on more strategic initiatives, a trend that is likely to continue throughout the implementation of the 2017-2022 strategy. The Secretariat was requested to elaborate on whether it has the necessary flexibility and resources within the existing budget envelope to meet the demands and direction set by the Board.
21. Secretariat response. While the OPEX budget may be stretched at times, the team has managed to deliver on the Board priorities, and remains committed to find additional efficiencies. The

Secretariat will raise any concerns around potential budget restrictions to deliver on Board requests through the AFC.

22. In relation to absorptive capacity, the Secretariat will take on board the different ideas proposed. During the 2014-2016 cycle, even though there was a transition from a rounds based model to an allocation-based funding model, the forecasted absorption rate is set at 90%. Efforts on financial capacity building can be intensified, including but not limited to (i) supply chain management and building capacity, and (ii) the implementation of the ITP project, which was designed to identify bottlenecks and additional resources that affect absorption.
23. Decision point and conclusions. The Board unanimously approved a) the 2016 Annual Financial Report, including the 2016 Consolidated Financial Statements and b) the 2016 Statutory Financial Statements. Both documents were audited by the External Auditor of the Global Fund ([GF/B37/DP05](#) and [GF/B37/DP06](#)).

## **Agenda Item 6: Joint World Bank Investment and Oversight**

24. The Vice-Chair of the Audit and Finance Committee (AFC) introduced the decision before the Board on authorizing the Secretariat to enter into an administrative agreement with the World Bank amounting to USD 10 million for co-investment in a Performance Based Financing (PBF) project in the Democratic Republic of the Congo (DRC). If agreed by the Board, this investment will take place in the absence of the Office of Inspector General (OIG) assurance.
25. The AFC Vice-Chair emphasized that the waiver requested is an exception, and is not precedent setting. The decision point also asks the Secretariat to develop a framework to guide future consideration of investments with development partners.
26. The Vice-Chair noted that a friendly amendment put forward by a constituency was accepted by the AFC leadership. The Board was also informed of the consultations with the OIG, Strategy Committee and the AFC members during the March in person meetings.
27. The Global Fund Executive Director underlined the importance of this agreement and addressed concerns over precedent setting. He clarified that UNDP receives funds from the Global Fund to implement projects, but these do not fall into a co-financing agreement framework. The ED further underlined the financial and resource implications of setting up parallel structures, which would be the alternative option. Based on previous experience, the Secretariat advised that this would be ineffective, and contrary to principles on alignment.
28. The Inspector General (IG) reiterated the collaborative engagement which had taken place between the OIG and the Secretariat. The IG explained that it was important that this specific case be brought to the Board for decision. The IG clearly expressed his trust in the World Bank's systems. However, he explained that this could not be seen as an isolated transaction, but had to be viewed in the context of a Global Fund governance model for future arrangements of this type.
29. In terms of governance and assurance, the IG outlined three possible types of governance models:
  - a. Parallel model which is duplicative in nature and not effective;
  - b. Delegated governance and assurance to a third party stake holder;
  - c. Shared governance model, which the OIG supports and recommends, as it reinforces joint ownership, shared information and open dialogue.
30. The IG addressed the question of assurance expectations. He highlighted that the Board will be receiving assurance from the World Bank, but not the OIG. The Board needs to decide what kind of assurance it is expecting and who to expect it from.



31. On precedent setting, the IG underlined that this transaction sets no legal precedent, but nonetheless, it might not stop other partners from requesting the same concessions. To conclude, the IG reminded the Board of the fundamental questions that need to be addressed around the governance model, the assurance expectations, and how comfortable the Board is with making an exception.
32. Board discussion.
- a. Framework development. The Board requested the Secretariat to develop a framework to govern this type of arrangement going forward. This should be reviewed by the AFC, in consultation with the Strategy Committee for recommendation to the Board. The framework should provide adequate and transparent oversight and financial integration as well as consider programmatic synergies, particularly in Resilient Sustainable Systems for Health (RSSH).
  - b. On differentiation and risk appetite. A sound framework should also define risk appetite and should identify the appropriate controls for the Board to be able to appropriately differentiate and manage risk. One constituency underlined that risk is inherent in any new governance model, and that the Board should trust the strong control mechanisms and tools put in place by a multilateral organization such as the World Bank.
  - c. Access to programmatic data. A number of constituencies considered access to programmatic data as crucial for the learning process, and for measuring impact.
  - d. Health systems investments. In this arrangement with the World Bank, the Secretariat was urged to take into account the coordination of health system investments in order to measure impact.
  - e. Setting precedent. There was a strong reiteration by the Board that this arrangement must not set a precedent. The Global Fund was urged to deepen the dialogue with the World Bank and other development banks on such arrangements. It was reiterated that strategic partnerships should be set up on an equal footing and should be mutually beneficial, especially in line with the Paris, Accra and Busan agreements.
  - f. Governance model. From a country perspective, it was highlighted that the effective governance approach would be having one partner rather than multiple ones, which facilitates management and the measuring of impact on the part of OIG.
  - g. Partnership with the World Bank. The Global Fund was urged to negotiate more flexible conditions with the World Bank, to allow the OIG to access financial records and programmatic information.
  - h. Strategic and programmatic urgency. A number of constituencies expressed the urgency for assistance in DRC which is a high burden and challenging operating environment.
  - i. One constituency requested an explanation from the IG on the difference between this specific co-investment and other co-investment projects, to which the OIG has not raised objections.
33. The Inspector General's response. The IG explained that the level of risk associated with this arrangement is what prompted the OIG's concern, adding that the risk profiles of the other Externally Funded Outputs (EFOs) were not high, as they were considered transactions with very limited materiality.
34. The Secretariat's response. The Secretariat assured the Board that it will continue to negotiate with partners and will develop a framework. The Secretariat concluded that it is comfortable with this investment, where it will have access to financial information and statements (as outlined in paragraph 26 in [GF/B37/03 – Revision 1](#)), in addition to receiving programmatic assurance through the results to be reported by each health facility. Furthermore, it was stated that the Secretariat will have direct access to the health facilities.

35. Decision Point. The Board approved the decision point ([GF/B37/DP07](#)) with an abstention from the European Commission, and votes against the decision point from the Communities, Developing Country NGOs, Germany and USA constituencies.

## **Agenda Item 7: Continuing Resource Mobilization Efforts Throughout the Replenishment Cycle**

36. Introduction. The AFC Chair opened the discussion on the Action Plan ([GF/B36/DP03](#)) and referred to the OIG's Advisory Report on Global Fund Fundraising Processes, which has informed the development of the Action Plan.
37. During its review in November 2017, the AFC noted: the volatile international political environment; an additional USD 500 million for 2017-19 is ambitious but realistic; to broaden the donor base, some new donors want to participate in Global Fund governance; and the need for increased investment in people, processes and systems.
38. On the proposal to revise the Amended and Restated Global Fund Policy for Restricted Financial Contributions approved by the Board in 2014 ([GF/B32/DP13](#)), the AFC: recognized that the policy needs to be flexible to mobilize additional resources from private donors; reiterated the need to implement the policy without causing undue burden on the Secretariat and implementers; asked to be informed of progress in implementation; and unanimously endorsed the proposed minor amendments for Board approval.

### Presentation on the Action Plan for ongoing resource mobilization.

39. The Director of External Relations presented key findings of the OIG Advisory Report and noted it had not been shared widely as it includes a benchmarking exercise. The Secretariat outlined the objectives of the Action Plan, i.e. to convert existing pledges; to mobilize an additional USD 500 million and to prepare for a strong 6<sup>th</sup> replenishment (2020-2022).
40. Analysis of the Global Fund's share of ODA shows high long-term potential in smaller OECD-DAC countries. There is also potential for expansion in the private sector, for example Ecobank signing a Letter of Intent on the establishment of the 'Africans for Africa' platform, and the India Health Fund, launched in 2016. The Director of External Relations noted enabling factors: continued strong engagement of the Board; an adapted governance model to accommodate new donors and investments in people and systems for resource mobilization.
41. Board discussion:
- a. Level of ambition. Some perceived the target as unambitious, while others felt it was very ambitious, in view of the Secretariat's capacity but also the external environment.
  - b. Advocacy. The focus on advocacy was commended and the dependence on external funding to support advocacy operations was flagged as a significant risk. Recruiting new champions and high-level advocates was also emphasized.
  - c. Increased investment in resource mobilization operations. Increased investment could help to mitigate dependence on external funding for advocacy. It was noted that mobilizing resources from the private sector and from alternative/non-traditional sources can be more resource intensive.
  - d. Governance. The need to accommodate new donors was recognized as an urgent and critical factor in broadening the Global Fund donor base.
  - e. Leveraging of the US match. The Secretariat was asked to provide an update on additional resources ahead of the 30 September 2017 deadline.

- f. Timing of the 6<sup>th</sup> replenishment. The timing of the Sixth Replenishment Pledging Conference in Quarter 3 of 2019 was queried, noting that several other organizations are planning replenishments in 2018-19.
- g. Domestic financing. The importance of supporting countries to increase domestic financing was highlighted. Reference was made to mechanisms such as Zimbabwe's AIDS Trust Fund which mobilizes USD 40 million/year.
- h. Innovative financing. The Secretariat was urged to continue exploring innovative financing schemes with the World Bank and other Development Financing Institutions (DFIs), including blended financing and loan buy-downs, and others sources of innovative finance. Given the importance of innovative financing to the 6<sup>th</sup> Replenishment, the Secretariat agreed to report again to the Board in November 2017 and produce a paper on resource mobilisation including innovative financing in the context of the preparations for the 6<sup>th</sup> Replenishment.
- i. Innovation Hub. Innovation Hub efforts were positively highlighted, citing the example of Munich RE.

42. In response, the Secretariat:

- a. Reassured the Board that it is working on securing additional pledges to leverage the US matching and concurred that, while the Action Plan target is ambitious, it has taken account of country needs, ODA trends, economic prospects and other internal and external factors;
- b. Welcomed the Board's recognition that new donors should be accommodated in the governance structure as an issue of urgency, and agreed that sustaining advocacy efforts is an important priority.
- c. Welcomed comments on increasing investment in resource mobilization efforts, and noted that resourcing needs will be presented in the fall Opex request;
- d. Clarified that timing of the 6<sup>th</sup> Replenishment Pledging Conference depends on several factors - budgetary processes, hosting arrangements and other considerations. As noted, the challenge of multiple replenishments over 2018-19 is significant. Alignment and coherence in investment cases and messaging across the different global health organizations will be needed;
- e. Concurred with the Board on the importance of domestic financing.
- f. Private sector engagement is key, as well as private wealth in the BRICS. Experience shows that it is important to link private donor contributions to their countries/region of interest.

43. Conclusions. The Board expressed its commitment and recognized the need for meaningful representation of new donors in order to broaden the donor base. It noted that the Ethics and Governance Committee will discuss this in July 2017. The Board also acknowledged the need for increased investment in resource mobilization operations. Finally, the Board requested continued updates on resource mobilization through the AFC.

## **Agenda Item 8: Amended and Restated Policy for Restricted Financial Contributions**

- 44. The Secretariat presented the Amended and Restated Global Fund Policy for Restricted Financial Contributions (PRFC) and revision proposal, and discussed implementation to date.
- 45. The PRFC was originally approved in 2007, and was subsequently amended, in 2014, to permit eligible donors to target contribution towards unfunded quality demand (UQD). It has since raised USD 18 million (2% of total private sector pledges) for UQD. With respect to UQD, the Secretariat confirmed that any funding raised is additional, and would otherwise not benefit Global Fund programs. The proposed revision would introduce flexibilities for the Secretariat with respect to

eligible donors, i.e. flexibilities with respect to the level of restriction permitted and the uses of unutilized portions of such contributions.

46. Board discussion.

- a. Potential risks. The Board flagged several risks, including the reduction of the pool of unrestricted funding available for allocations and the diversion of funds from strategic priorities, as well as increased tracking/reporting burden on the Secretariat and implementers. While the mitigating measures were acknowledged, the Board reiterated the importance of continued monitoring and reporting on the impact of restricted contributions on the overall portfolio and on workload of the Secretariat and implementers.
- b. Additionality of resources. Several constituencies reinforced that some private donors need to match investments to specific interests.
- c. Definition of private donors. The Board noted that the definition of ‘private donors’ under the existing policy dates back to 2007. It may need to be refined and the Secretariat should present options at the July 2017 AFC meeting.
- d. Maintenance of the UQD register. Several constituencies raised issues related to the framework for UQD, including the need to more regularly update the register.

47. Secretariat response. There is no indication of a shift of resources towards more restriction. It is clear that earmarking is only applicable to private donors. The Secretariat routinely balances the risks/costs and benefits of each potential contribution, including non-financial partnership gains and the potential to align with routine reporting.

48. AFC Chair wrap-up. The AFC Chair added a note for the record:

- a. The issues flagged by the Board with relation to the management of UQD;
- b. The request to refine the definition/categorization of private donors; and
- c. The request for a paper on the approach to blended financing.

49. Decision Point and conclusions. The Board unanimously approved the proposed revision to the Amended and Restated Global Fund Policy for Restricted Financial Contributions ([GF/B37/DPo8](#)) as set out in Annex 1 of [GF/B37/o4](#) and requested continued updates from the Secretariat on funds raised.

## **Agenda Items 9, 10 and 11: Executive Sessions of the Board**

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

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

## Agenda Item 12: Sustainability, Transition and Co-Financing Update

51. The Secretariat summarized work done on the implementation of the STC Policy, including key operationalization pillars, challenges identified and anticipated throughout policy implementation, an update on progress in specific thematic areas, and the main STC priorities for the 2017-2022 strategy.
52. Board discussion. Comments focused on transition planning; challenges and risks; monitoring and evaluation of STC; beyond allocation sources of funding for STC; the linkages between eligibility and STC issues; procurement and supply chain; innovative finance; and the implementation of the co-financing policy.
53. Transition Planning:
  - a. Implement standardized Transition Readiness Assessments (TRAs) to provide a comprehensive evidence-based overview including key findings, challenges for key populations, civil society, procurement and finance. It is important to have a clear definition of successful, responsible and sustainable transition, with the engagement of all the key players.
  - b. Early transition planning is key. It should focus on sustainable health systems and particularly the role of civil society and key population groups. This is particularly important due to possible future changes in income classification.
54. General Comments on Transition:
  - a. Many agreed that STC issues need to be discussed within the broader health sector dialogue, linking to overall health financing. In-country collaboration and political willingness are key, as is coordination and partnership. The Communities delegation raised the role of technical partners in transitioning or transitioned countries to support sustainable transitions, and how would the Global Fund be able to work in these countries given that many of the technical partners have also withdrawn.
  - b. GF investments should align with and support the overall national health sector strategies, plans and systems, including political and social considerations, country stability and the macroeconomy. Realistic modelling and allocation forecasting are also important for predictability.
  - c. Additional factors include service availability, community related services, service quality, maintaining work force capacity, community and stakeholder engagement, integration of programmes at the national, subnational and community level, and strengthening CCMs.
55. Innovative Financing:
  - a. Comments related to using innovative financing mechanisms to leverage grant funds, although there is a need to ensure community engagement (as loans often come from government budgets). In addition, concerns were raised about engagement of communities in innovative financing processes in country.
  - b. A framework should be developed and presented to the Board, including a strategy to work with other institutions and development partners.
56. Domestic Financing:
  - a. The importance of advocacy in increasing overall health budgets was noted. This provides more scope for negotiation of national budgets for HIV, TB and malaria.

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charged with monitoring or executing such decisions. An official record of closed sessions must be maintained by the Board Chair and Vice-Chair and deposited with the Legal Counsel of the Global Fund.

- b. Systems need to be stable and inclusive, with the capacity to mobilize domestic resources and use innovative financing, in a prioritized, efficient, and transparent way. Examples of best practice and lessons learned on domestic financing could be very beneficial to countries.

57. Challenges and Risks:

- a. The next two years will be critical. Transparency is important, so as to recognize mistakes and to course correct.
- b. What are the trade-offs between achieving short-term impact and protecting long-term sustainability? How to manage the tension between the support for successful transitions with limited transition funding?
- c. Countries may be transitioning away from more than one development partner/donor concurrently. This is challenging, and highlights the need for strengthened donor collaboration.
- d. Investment in RSSH is crucial, however, RSSH investments are often integrated into disease components, and can be difficult to track.
- e. TRP Reviews can provide useful information and lessons learned, to increase focus on sustainability in funding applications.
- f. The Strategy Committee must be able to monitor and oversee the implementation at the right level. This includes updates on transition readiness, mitigation strategies, challenges, and options for different health financing strategies.
- g. Other points included: funding for STC, such as above-allocation sources of funding and portfolio optimization; STC issues affected by the eligibility policy; and challenges in procurement, such as price increases and maintaining quality of commodities and services purchased by transitioning government budgets.

58. The Secretariat responded to the comments and questions, expressing appreciation for the observations around coordination with partners, strengthened transition planning, additional work on procurement and domestic resource mobilisation, and confirmed that there were ongoing discussion or action already in all of these areas. The Secretariat highlighted that many of the comments are being addressed in implementing the policy. In summary:

- a. Transition planning. This is a key area, and there is ongoing collaboration with partners (including, but not limited to, USAID, UNAIDS, World Bank, the UHC 2030 platform, Ministers of Finance and Parliaments considering their critical role in budget approval process ). There is also engagement with both CCMs and non-CCM country-level stakeholders, such as Ministries of Finance.
- b. Transition Readiness Assessments. The Global Fund can promote readiness assessment discussions, to strengthen transition preparedness, but strong engagement from government, civil society and partners is critical for successful transitions.
- c. Implementing the STC Policy. Successful implementation means including the principles of the policy at every stage of the funding cycle. Country teams and other bodies including the GAC and the TRP are undertaking more systematic work on transition preparedness and sustainability. The Secretariat confirmed that much of the ongoing work is on the challenges identified in the early stages of implementation.
- d. Co-financing. The Secretariat clarified that co-financing commitments that came in under the NFM are mainly for grants that end in late 2017 (or later), so final co-financing commitments will not be known until the end of 2017. The Secretariat confirmed that realization of commitments is being tracked.
- e. Innovative Financing. Innovative finance is not an appropriate fit in every context, the last AFC meeting considered one aspect of innovative finance (loan buy downs), and proposed guiding principles around where these may be appropriate.
- f. Challenges and Risks. The Secretariat noted that internal analysis had highlighted many of the challenges presented to the Board and the Strategy Committee, and mitigation

strategies for many were already being implemented. An example on social contracting was provided. In this (one) country, this will be a prerequisite to receiving funding (to increase the sustainability of investments). While there are challenges, there are also examples of success (including the absorption of core interventions in certain parts of the portfolio).

- g. Eligibility. In relation to non-continuation of grants due to eligibility, the exceptions granted under the Challenging Operating Environments (COE) policy can, in some cases, allow for country grants to be extended, which otherwise would have been ineligible.
- h. Sources of Funds. Delegates were also reminded that the USD 1.1 billion unused funding from the previous allocation period had already been reallocated. It is not available to support countries preparing for transition.

59. In conclusion, the Secretariat thanked the delegates for their engagement and the rich comments. Moving forward, STC has to be considered in all aspects of the Global Fund partnership.

### **Agenda Item 13: Wambo.org: Progress Update and Steps for Advancement**

60. Amendment to Decision Point (DP) and Strategy Committee meeting. Prior to the commencement of the Board meeting, an amendment was presented by one constituency to the original decision point recommended by the Strategy Committee in March. The SC met ahead of the Board session and agreed it was a friendly amendment. The amendment was discussed and refined by the Committee, resulting in the language in point 3.i. of the final decision point ([GF/B37/DP09](#)), as approved by the Board.

61. Presentation. The Secretariat presented the intent of the DP, which is to approve the piloting of a limited number of transactions by current Principal Recipients with domestic funding via the platform. This summary introduced wambo.org as one piece of a larger effort towards resolution of global public health procurement issues.

62. Board discussion. The Board remarked broadly on their support for wambo.org as a mechanism to increase transparency, country ownership, cost efficiency and sustainability in public health procurement and also as a mechanism to support the sustainability, transition, and co-financing policy. It was noted that wambo.org is only one mechanism, among many. There are limitations, but also the potential to support in sustainability, transition and co-financing. The Board appreciated the Secretariat's clarification on constituencies' queries in advance of the Board. One constituency expressed a different view, mentioning a lack of transparency and rigor, which – it argued – made the proposed pilot premature.

63. In addition, the Board provided the following guidance:

- a. Evaluation. The Board recognized the importance of robust mechanisms for evaluation. The project to be independently reviewed by both the OIG and the TERG (Prospective Country Evaluations in a number of countries, some of which are utilizing wambo.org) during 2017;
- b. Limited Pilot. The Board stressed that the pilot should be separated from any preparations towards a phase 2 of wambo.org as a potential future global public good. The pilot will gather information on the use of the platform to facilitate transactions with domestic financing. This will inform Phase 2. Any Phase 2 would be preceded by thorough evaluation of phase 1a and b (see above).

64. Request for Clarification. The Board sought clarification that the proposed DP is limited to ten transactions, while indicating the procedure by which the Strategy Committee could have delegated authority to expand beyond ten.

65. Secretariat response. The Secretariat clarified that authorization from the Board for the first ten transactions is within the proposed Decision Point. Concurrently, approval of the DP would delegate any future authorization for transaction(s) beyond the ten to the Strategy Committee. The proposed process outlines the procedure if the first ten transactions do not provide enough data to achieve the knowledge-gathering objectives.

66. Decision Point and conclusions. The Board:

- a. Approved the decision point ([GF/B37/DP09](#));
- b. Requested that the Secretariat provide clearly defined draft indicators of success to the Strategy Committee, at its next meeting;
- c. Requested that the Secretariat report regularly on the operationalization of this pilot to the Strategy Committee; and
- d. Delegated the authority to the Strategy Committee to approve further transactions on a pilot basis, if and when the Committee itself considers it appropriate.

## **Agenda Item 14: Annual Opinion of the Ethics Officer, 2016 Inspector General Annual Report & Annual Opinion on Governance, and Risk Management & Internal Controls of the Global Fund**

### Annual Opinion of the Ethics Officer

67. Presentation. The Chief Risk Officer, Ethics Officer, and Inspector General presented abbreviated versions of their reports to the Board given time constraints ([GF/B37/27](#), [GF/B37/10](#), [GF/B37/12](#)).

68. Board discussion. The Board welcomed the first Annual Report of the Ethics Officer. In addition, the Board:

- a. Requested that future reports include more granular information about ethics cases, in particular conflict of interest, to learn more about how this risk is being mitigated;
- b. Expressed appreciation for the objective of culture change (i.e. trust and accountability) within the Secretariat, noted that culture change takes time and encouraged the Ethics Officer to develop milestones for the kind of change he expects to see;
- c. Confirmed the value of including preventive efforts towards wrongdoing, to supplement the responsive approach already established.

69. The Board expressed appreciation for the work being done to investigate the leak in relation to the Executive Director selection process, and looks forward to seeing the report in the near future.

70. The Board sought clarification regarding how the Risk, Ethics and OIG teams separate roles and responsibilities, while also working together and coordinating.

71. Secretariat response. The Ethics Officer reiterated his commitment to provide further disaggregated data on ethics cases. He noted that culture change in the Secretariat is a priority that includes efforts from not only Risk and OIG, but also from Human Resources. He noted that the values of the Global Fund are slightly misaligned across different groups (e.g., the Board and Secretariat) and that they may benefit from realignment.

### Risk Management

72. Discussion and context. The Chief Risk Officer (CRO) provided context on the Risk Management Report and Annual Opinion ([GF/B37/27](#)). This captures key thematic enterprise-wide risks that may influence delivering impact, and provides an annual opinion surrounding the state of governance, risk management, and internal controls.



73. The CRO underscored four key points: 1) As risk management processes continue to evolve, the focus has appropriately shifted towards grant-related risks; 2) Thematic deep-dives on *Sustainability & Transition, Supply Chain, Human Rights & Gender*, and several others have clarified critical programmatic risks, issues and bottlenecks and designs appropriate mitigation strategies; 3) While there is some progress towards defining Risk Appetite, embedding a top-down culture of risk management, and strengthening internal controls, there is a need for increased attention; and 4) If the Global Fund maintains its current trajectory, it should be able to achieve a maturity level of ‘embedded’ over the next eighteen months.
74. Board discussion. The Board welcomed the update, and agreed with the overall scope and strategic direction of risk management. Additionally, the Board:
- a. Supported the continued strengthening and embedding of risk management, in particular building risk management capacity in the countries via the CCMs and PRs;
  - b. Requested the adoption of a risk management approach towards measuring and monitoring human rights-related risks with ongoing reporting;
  - c. Requested Risk Department involvement in identifying risk mitigation strategies in prioritized transition countries;
  - d. Recognized the importance of refining instruments such as the Organizational Risk Register to provide enhanced clarity, and defining Risk Appetite, as an additional tool to support decision-making, and towards embedding risk management in the organizational culture;
  - e. Stressed the importance of identifying cross-cutting risks, providing additional clarity on linkages, and instituting relevant mitigating measures to proactively address these risks.
  - f. Noted the Secretariat’s progress in achieving more coherent and coordinated approach to risk management and stressed the importance of continuing the efforts. The Secretariat should incorporate new initiatives into the Prioritized Action Plan and maintain it as a living tool.
75. Secretariat response. The CRO:
- a. Reiterated that embedding risk management remains a priority. This is reflected through a variety of initiatives including the recent revisions to the Risk Management Operational Policy Note (OPN), better risk reporting, the focus on Risk Appetite and building-out internal controls.
  - b. Agreed that the Organizational Risk Register needs to continue to be refined to make it more user-friendly. Mentioned that the development of a collective (inter-agency) Register which examines common risks (i.e. drug and insecticide resistance, strategic data quality and availability) is being discussed with partners;
  - c. Requested the support of the Board in maintaining focus on priority areas including risk appetite, and in providing strategic direction in advancing the maturity of the governance framework;
76. Conclusions. The Board:
- a. Offered its continued support for the overall strategic approach;
  - b. Requested the Secretariat to provide regular updates to the Board through the Coordinating Group, on key priority risks and the tools to make better decisions.

#### Inspector General Annual Report & Annual Opinion on Governance

77. The Inspector General (IG) presented his opinion ([GF/B37/12](#)) stating that the Global Fund has made significant improvements in several areas over the past two years, but there remains the need for improvement in some areas.

78. Board discussion. The Board commended the Secretariat on the progress made and discussed the following:

- a. Agreed Management Actions. The resolution of long standing AMA's, especially by Grant Management, was welcomed. However, there are still some long overdue AMAs. How are these being addressed?
- b. Secretariat culture. One constituency asked the IG to expand on this, as it is referenced several times in OIG reports.
- c. Supply chain. One constituency expressed concern over OIG audits in 2016, which demonstrated severe challenges pertaining to supply chain. This calls for a pressing need to leverage critical investments in Resilient and Sustainable Systems for Health (RSSH).
- d. Human rights. Measuring human rights related risks was highlighted as urgent, notably in cases where sub-recipients refrain from providing services for particular groups/persons. On this issue, CCM compliance with Human Rights standards was underlined.
- e. Programmatic impact. Progress made in increasing programmatic impact was commended. However, concerns were raised over OIG reporting on decreased patient retention and gaps in diagnosis. The Secretariat was asked to collaborate with community health promoters to address these issues. The Global Fund was urged to invest in tracking of follow-up and active referral systems.
- f. OIG, CRO and Ethics function. One constituency inquired on the communication structure between the Office of Inspector General, the Risk Department and the Ethics Office.
- g. Health systems. One constituency referred to the OIG's reporting on health systems, and highlighted the need for longer term solutions. These challenges necessitate effective coordination with a wide range of actors.

79. The OIG response. The IG welcomed the feedback, which helps to improve the quality of reporting.

- a. Supply chain. The IG concurred that there are many challenges. In a partnership business model, the Global Fund cannot solve these issues unilaterally. In this context, the IG welcomed the Strategic Framework being developed for supply chain.
- b. On patient retention, the IG underlined the organization's responsibility to focus on programme quality. The performance targets reflect the need to collect retention data. However, the IG stated that there are several factors beyond the Global Fund's control.
- c. Culture. The IG stated that the organization is moving in the right direction. A number of processes are in place, and there is a move from initiated to 'embedded'. Behavior will be the determining factor. Creating a strong organizational culture goes beyond operations, to embedding a culture of accountability and compliance. There has been progress, with an accountability matrix, which clarifies roles, responsibilities and accountabilities.
- d. The IG further stated that compliance has to be a 'value add' process. It is important to establish verification mechanisms when policies and procedures are in place, adding that the Secretariat is working on this. The IG also underlined the importance of rationalizing policies, procedures and practices. In some cases compliance is challenging as some policies and procedures do not incentivize compliance. The Secretariat started rationalizing policies in many areas, such as procurement.
- e. On human rights, the IG stated that the Global Fund must take a risk management approach. The organization has a complaint mechanism in place; however the volume of complaints has been relatively low. The OIG has dedicated time and resources towards working with civil society organizations, to familiarize them with the human rights complaint procedure in order to ensure that human rights concerns are flagged. When responding to complaints, the IG advised that there is a delicate balance, to avoid triggering adverse consequences that could harm the people that the organization is striving to protect.
- f. Ethics function. The IG explained that the two offices work closely together, for example on the Speak Out Campaign. While there is no formal coordination framework between the two offices, collaboration is ongoing.

80. Secretariat response. On retention on ARVs, the Secretariat cooperates closely with PEPFAR and addresses this on a country-by-country basis. AMAs are being proactively followed up, but some will require time. On supply chain, a number of updates have been presented to the Strategy Committee as well as to the Board, and this will continue.
81. Closing. The AFC Chair concluded by stating that the Board and Committees are aligned on the risk discussion, and underline the strong Board support. The AFC Chair equally highlighted the Board's appetite for focusing on the measurement and the definition of risk in practical ways. This will enable the organization to make better management decisions.

## **Agenda Item 15: Selection Process for the Next Executive Director**

82. Presentation. The leadership of the Ethics and Governance Committee (EGC), Professor Mohamed Salah Ben Ammar, Chair, and Dr Jan Paehler, Vice-Chair opened the session, confirming that its objective was to appoint the membership of the Executive Director Nomination Committee (EDNC), to outline further the selection process and to officially launch the ED selection process.
83. Next steps are to identify an executive search firm, followed by the first progress report of the newly constituted EDNC, which will include a more detailed work plan and details on how the search will be undertaken in particular with respect to the constituency engagement phase.
84. The job advert will be published for a period of approximately six weeks commencing on 7 June. The role specification will be based on the Terms of Reference of the Executive Director as approved by the Board at the 36th Board Meeting, on 17 November 2016 ([GF/B36/DP07](#)).
85. In late July 2017 the EDNC will provide an update on quality of the pool of applicants. Two rounds of interviews by the EDNC are foreseen, with another update report between the two interview rounds. Enhanced due diligence including psychometric testing will be undertaken on the short-listed candidates. The EDNC will then make a recommendation of four to five top candidates to the Board. This phase of the process will be highly confidential.
86. The summary of the EDNC final report with the final recommendations will be submitted to Board Members and Alternates two days prior to the Board Retreat. The EDNC final report will include the CVs, biographies and the motivation letters of the top candidates. They will then be presented in person at the Board Retreat.
87. At the retreat, comprehensive candidate and referencing reports will be accessible to Board Members and Alternates on a strictly confidential basis in a reading room. Due diligence/background checks and the conflicts of interest assessments of the candidates by the Ethics Officer will also be available. The Board Retreat will mark the beginning of the constituency engagement phase. This will be a structured process. As the engagement will be limited to constituencies, it will not be public, nevertheless the broader members of the constituencies can engage. Details of this phase will be further defined by the EDNC in its work plan. The Board will select the final candidate at the 38<sup>th</sup> Board meeting on 14-15 November 2017. It was noted that it could be three to five months before the successful candidate might start.
88. The Chair of the Board then confirmed the names of the EDNC members unanimously approved by the Board in Executive Session, as follows ([GF/B37/DP10](#)):
- a. Michèle Boccoz, Chair of the Nomination Committee
  - b. Vinand Nantulya, Vice-Chair of the Nomination Committee
  - c. Ala Alwan, Member
  - d. Sarah Boulton, Member, EGC member
  - e. Joanne Carter, Member

- f. Julie Essiam, Member
- g. William Steiger, Member
- h. Peter Felix, Independent Member
- i. Reinhard Tittel-Gronefeld, Independent Member

## **Agenda Item 16: Discussion on Health Situation in Venezuela**

89. The Board discussed health situation in Venezuela at its Executive Session. In the open follow up session, the Vice-Chair of the Strategy Committee confirmed that the Board's discussion was focused on eligibility, the ongoing health crisis in the region and various options on how to move forward within the existing policies of the Global Fund.
90. After voting to remove the original decision point presented for Board consideration and to consider a new decision point, the Board approved the decision point ([GF/B37/DP11](#)), calling for a coordinated regional response to the health crisis in Venezuela. The Eastern Mediterranean constituency abstained from voting on the revised decision point. Two delegations expressed thanks to the Board for its deliberations and reiterated its importance for the Global Fund's mission.

## **Agenda Item 17: Overview of end-2016 Corporate Key Performance Indicator Results**

91. Presentation. The Secretariat presented an overview of end-2016 Key Performance Indicator (KPI) performance for Board information ([GF/B37/26](#)).
92. Board discussion. Board members noted strong performance on many KPIs and commended the Working Group for the finalization of the 2017-2022 KPI targets. In addition, the Board noted:
- a. Strategic targets. Root causes for underperforming service delivery targets could be related to quality of results data, inaccurate epidemiological modelling, or implementation issues.
  - b. Future reporting. Clarification requested on the planned detailed country reporting for 20 key countries, including format and timing.
  - c. Time to access funding. Proactive steps are needed to reduce the time taken to access funding. Long delays impact absorption, and can lead to program disruptions. Close monitoring is needed to ensure that Catalytic Funding does not delay applications.
  - d. Health systems strengthening. The Board would like to see the Health Facility Assessments go beyond HIV, TB, and Malaria, and for the Global Fund to work closely with partners to ensure that assessments are discussed in CCMs and respective health sector coordination committees. Low absorption often indicates systemic challenges. The Global Fund should support countries to diagnose and address these bottlenecks.
  - e. Human Rights. Welcome the investigation into the low uptake of the Human Rights complaint mechanism, look forward to see results.
93. Secretariat response. The Secretariat noted:
- a. Results dashboards. The Global Fund moved to reporting of full national results under the 2017-2022 KPI framework, to take a more holistic view of performance. The challenge is that national performance reflects collective efforts, not just those of the Global Fund. Information about Global Fund support, compared to other donors, will help with more accurate performance evaluation. The "results profiles" will be produced for 22 High Impact countries. The profiles include service delivery, impact trends and a breakdown of program funding by service delivery area and source of funds. The dashboards will be shared in the 2017-2022 KPI framework reporting at the May 2018 Board.
94. Conclusions. The Board notes that meaningful review of results will continue to be a high priority for the Committees and Board.

## Agenda Item 18: Policy on Quality Assurance (“QA”) for Diagnostic Products

95. Presentation. The Secretariat presented the Strategy Committee approved revisions to the existing Policy. The Strategy Committee also recommended that the authority to review and approve certain modifications to the QA Policy for Diagnostics should be delegated to the SC, noting that changes related to overall approach would remain a Board decision.
96. Board discussion. On the specific modifications under discussion, the Board:
- Noted support for the broader strategic approach of estimating costs against the total cost of diagnostic ownership and service delivery, rather than benchmarking funding against the unit cost of a diagnostic alone;
  - Noted support for delegation of operational decision-making to Committees;
  - Affirmed the need for greater harmonization between national regulatory authorities and the WHO pre-qualification unit’s normative guidance;
  - Reaffirmed the need for detailed guidance addressing the human rights and social protection implications of deploying new diagnostics;
  - Recommended incentivizing the use of grant and domestic funds towards strengthening in-country pharmacovigilance.
97. The Board requested further clarification on the following:
- In-country surveillance. Requested information on how in-country adherence is monitored, and recommended implementation guidelines and quality standards, as part of broader post market-introduction surveillance.
98. Secretariat response. The Secretariat noted:
- That adherence to implementation standards was an operational priority, country teams have embedded Health Product Management (HPM) specialists who collaborate closely with National Regulatory Authorities;
  - Clarified that the policy addresses what can be procured with Global Fund financing. The revisions will adjust the list to ensure eligible products are quality assured. The request for revisions is only one stage in the larger treatment chain. Other aspects are monitored jointly with UNITAID, WHO, and in-country experts. Detailed deployment and capacity building plans are a key requirement from in-country PRs when procuring a new family of products;
  - The Secretariat noted the Board’s focus on greater alignment between international normative guidance issued by WHO, and national standards of regulatory authorities.
99. Conclusions. The Board unanimously approved the Strategy Committee recommended amendments to the Quality Assurance for Diagnostic Products as set forth in [GF/B37/06 \(GF/B37/DP12\)](#).

## Agenda Item 19: Funding Model Implementation Report on the 2014-2016 Period & Business Model Update

### Funding Model

100. The Secretariat provided a summary of initial findings from the first TRP Window (23 May - 2 June 2017). A total of 91 components were reviewed, and initial results indicate a success rate of around 95%. This is about USD 4.6 billion or 45% of the total allocation for the 2017-2019 period. It is anticipated that the greatest proportion of funding applications will be submitted in 2017, with submissions trailing off in years 2018 and 2019.

## Business Model

101. The Secretariat reminded the Board that the report presented to the Strategy Committee in March 2017 had identified partner engagement, risk management, and CCMs as requiring improvement. Next steps are further analysis, monitoring and evaluation of key risks against the Organization's risk appetite, looking at how risk mitigation efforts might be improved; and finally what a GF presence in countries, in whatever form, might look like if such risk mitigation efforts do not achieve results.

### 102. Board Discussion.

- a. TRP Window 1 review process: would the TRP requested revisions mean that re-submission would be required? Further, many revisions concerned program continuation applications, to include issues such as STC, which were not previously required.
- b. Grant processes: Some Board Members asked why the target for grant signing is 70%, which seems modest, and asked why the process from grant negotiation, to signing to grant implementation can take up to 10 months. Others noted insufficient time to prepare for 'above allocation' funding requests. Finally, increased involvement by civil society in grant negotiations was needed.
- c. Absorption: Some countries had received less than the formula-derived amount due to low absorption rates in the last allocation cycle. It was important to ensure enough time to prepare 'above allocation' requests. Information was requested on how the target of 90% absorption can be achieved for this cycle.
- d. The Board asked for a report back to the Board on alignment of allocation investments with Global Fund Strategic Objectives and analysis of the impact of catalytic investments.
- e. Comments on the Business Model of the Global Fund focused on strengthening GF presence in countries, and the need to ensure that the Business Model actively supported risk mitigation and the delivery of the Strategy.

### 103. The Secretariat noted:

- a. Absorption. in the last allocation period 90% absorption was achieved. For this allocation, there will be renewed focus on bottlenecks, forecasting and maximizing disbursements.
- b. Grant-processes. To increase the allocation to under-absorbing countries, absorption rates need to improve, and then re-allocation can take place, using above allocation requests. Extensions for any grants ending in December 2017 can be requested, if necessary. On the grant negotiation process, it can be difficult to balance the time needed for discussion and negotiation with timely signing of grants. There is also a direct correlation between high-risk environments and the time needed for grant signing. One option could be to bring forward the Board-allocation decisions – this would give a few extra months for negotiations. Finally, the Secretariat reiterated that Civil Society is represented throughout via the CCMs.
- c. TRP Window 1 review process. The Strategy Committee will receive a more detailed report on Window 1 in June. The Secretariat will also collate lessons learned to inform countries. On the TRP requests for revisions to funding applications, it is challenging to streamline, but working with partners, extra efforts can be made. The differentiated approach should reduce the time needed for grant-making, this will be assessed after the second TRP Window.

## **Agenda Item 20: Country Coordinating Mechanism Code of Ethical Conduct**

104. Presentation. The Ethics Office presented the proposed Code, which had been recommended for approval by the EGC. The Ethics Officer indicated the plan to return back to the Board in the next Board cycle. He indicated that while the text of the Code was broadly consulted to date, conversations with the delegations have led the Ethics Office to increase the 'depth' of consultations.

105. Board discussion. The Board welcomed the initiative, recognizing it as an important mechanism for further strengthening CCM governance. There was strong support for the wording and tone of the Code. The Board welcomed the proposal to continue consultations, and having enforcement mechanism proposal complete by the November Board meeting. In addition, the Board:
- a. Expressed interest in learning how the Code would be applied and enforced;
  - b. Recommended best practice sharing across CCMs.
106. The Board also noted the following:
- a. Consultations. Future consultations should include Regional Coordination Mechanisms.
  - b. Linking to funding. Recommended further thinking, in relation to enforcement, regarding how and why compliance should be tied to funding mechanism
  - c. Conflict of Interest. The Board expressed interest in how the Code of Conduct can strengthen conflict of interest management in CCMs.
  - d. Cost implications. The Board sought clarification regarding the cost implications of implementing the Code.
107. Ethics Office response. The Ethic Officer confirmed that he will focus on how to set up incentives to reward good performance and sanction bad performance. He noted that how the Code will be enforced might be differentiated depending on context.
108. CCM Update. The Secretariat also debriefed the Board about the broader CCM work. The work has three phases: diagnosing and assessing the current state, developing the vision and evolution pathways, and creating a detailed implementation plan. CCM strengthening has been an important ongoing activity for the Global Fund and the CCM Hub has been doubled in size. There is a USD 8.9 million budget for CCMs. Completion of AMAs related to CCMs is on track. Performance assessments show CCM performance improvements over the last three years. The Secretariat committed to providing updates.
109. Conclusions. The Board looks forward to seeing the Code of Conduct for CCMs and the proposed enforcement mechanism presented as one element of the overall CCM improvement roadmap at the next Board meeting, following completion of a comprehensive consultation.

## **Agenda Item 21: Annual Report on Community, Rights and Gender 2016**

110. The session could not take place during the in-person meeting, as other items overran. However, two conference calls were arranged subsequently for the Board to discuss the CRG Report to the Board ([GF/B37/18](#)).
111. The Report of the discussion on these calls will be shared with the Board at a later date. It will include responses to comments and questions raised in pre-Board Constituency Statements, as would have happened if the CRG session had taken place.

## **Agenda Item 22: Close of Board Meeting**

112. The Chair of the Implementers Group thanked the outgoing Board Chair, Mr Norbert Hauser, for his dedicated service in the fight against the three diseases. The Board proposed a decision point on appreciation of the outgoing Chair and Vice-Chair of the Board ([GF/B37/DP14](#)). Dr Dybul recognized Mr Hauser's remarkable record of service to the Global Fund in his capacity as Board Chair, member of the High-Level Independent Review Panel, and as Interim Inspector General previously, and expressed his personal thanks.

113. The Communities constituency expressed its congratulations to the incoming Board Chair, Mrs Aida Kurtović, thanked Mr Norbert Hauser for passionately guiding and advising the constituency, and extended thanks to Dr Mark Dybul for *“being a friend to the delegation”*.
114. In his closing remarks, the Chair of the Board, Mr Norbert Hauser, reiterated his deep gratitude to the Government of the Republic of Rwanda for a very warm welcome and for hosting the Board. Mr Hauser summarized decision points taken at the Board Meeting, reflected on replenishment in 2019 and called on the Board to look for new, innovative sources of financing and mechanisms for accommodating new and existing donors in the Global Fund governance structure.
115. Mr Hauser further thanked the Board, for its constructive engagement, the leadership of the Committees, the Office of Board Affairs, the Institutional Legal Team, the Office of the Inspector General, the Events Team, the Secretariat staff, the hotel staff and the interpreters. The closing session was concluded by presentation of an indicative overview of the Board Agenda for 2017-2018.



## Annex 1. Decisions Taken at the 37<sup>th</sup> Board Meeting

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
GF/B37/DP01	<b>Appointment of Rapporteur</b> Ambassador Deborah Birs from the United States constituency is designated as Rapporteur for the 37th Board Meeting.	Unanimous		
GF/B37/DP02	<b>Approval of Agenda</b> The agenda for the 37th Board Meeting (GF/B37/01- Revision 4) is approved.	Unanimous		
GF/B37/DP03	<b>Board Chair and Vice-Chair Terms of Reference</b> <ol style="list-style-type: none"> <li>1. The Board approves the Terms of Reference of the Chair and Vice-Chair of the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria, as revised and set forth in Annex 1 to GF/B37/22- Revision 1 (the “Terms of Reference”), which shall enter into force upon the conclusion of the 37th Board Meeting in May 2017.</li> <li>2. The Terms of Reference shall supersede any and all prior versions of terms of reference of the Board Chair and Vice-Chair previously approved by the Board.</li> </ol>	Unanimous		
GF/B37/DP04	<b>Appointment of the Board Chair and Vice-Chair</b> The Board appoints Aida Kurtović as Chair of the Board and Ambassador John Simon as Vice- Chair of the Board to each serve two-year terms, or until the appointment of their respective successors, starting from the adjournment of the 37th Board Meeting.	Unanimous		
GF/B37/DP05	<b>2016 Annual Financial Report</b> The Board authorizes the issuance of, and therefore approves, the Global Fund’s 2016 Annual Financial Report, which includes the 2016 Consolidated Financial Statements that have been audited by KPMG SA, as set forth in GF/B37/02 Annex 1.	Unanimous		
GF/B37/DP06	<b>2016 Statutory Financial Statements</b> The Board authorizes the issuance of, and therefore approves, the Global Fund’s 2016 Statutory Financial Statements, which have been audited by KPMG SA, as set forth in GF/B37/02 Annex 2.	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
GF/B37/DP07	<p><b>Administration Agreement with the World Bank</b></p> <ol style="list-style-type: none"> <li>1. The Board: <ol style="list-style-type: none"> <li>a. Notes the proposed Administration Agreement between the World Bank and the Global Fund for the Performance Based Funding project in the Democratic Republic of Congo, as presented in GF/B37/03- Revision 1 (the “Administration Agreement”);</li> <li>b. Acknowledges the Administration Agreement does not provide the Global Fund the right of access to books, records, personnel or sites relating to the Performance Based Funding project, including as required under the Board-approved Charter of the Office of the Inspector General; and</li> <li>c. Acknowledges that, accordingly, the Office of the Inspector General will not be able to provide the Board with assurance, whether through audit or investigation work, on the funds disbursed under the Administration Agreement.</li> </ol> </li> <li>2. Based on the recommendation of the Audit and Finance Committee, the Board authorizes the Secretariat to enter into the Administration Agreement with the World Bank for the Performance Based Funding project in the Democratic Republic of Congo in accordance with the financial and programmatic terms presented in GF/B37/03-Revision 1.</li> <li>3. However, the Board confirms that this decision does not set a precedent for future investments with development partners or for existing relationships with partners and requests the Secretariat develop a framework to guide future consideration of such investments for presentation to and review by the Audit and Finance Committee, in consultation with the Strategy Committee, for recommendation to the Board.</li> </ol>	Canada Switzerland Australia, Developed NGOs, EMR, EECA, ESA, LAC, France, Japan, Private Foundations Point 7, Private Sector, UK, SEA, WCA, WPR	Communi- ties, Developing NGOs, Germany, USA	EC
GF/B37/DP08	<p><b>Approval of Revisions to the Amended and Restated Global Fund Policy for Restricted Financial Contributions</b></p> <ol style="list-style-type: none"> <li>1. Based on the recommendations of the Audit and Finance Committee, the Board approves the Amended and Restated Global Fund Policy for Restricted Financial Contributions, as revised and set forth in Annex 1 to GF/B37/04 (the “Amended and Restated Policy”).</li> </ol>	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
	<p>2. The Amended and Restated Policy shall supersede the prior version of the Policy as approved by the Board in November 2014 under decision point GF/B32/DP13.</p>			
<b>GF/B37/DP09</b>	<p><b>Wambo.org: Progress Update and Steps for Advancement</b></p> <p>1. The Board acknowledges the progress update on wambo.org presented by the Secretariat and notes the proposal contained in the paper “Wambo.org: Progress Update and Steps for Advancement”, as set forth in GF/B37/07 – Revision 2, to pilot a limited number of transactions by current Principal Recipients (“PRs”) using domestic funding via wambo.org.</p> <p>2. Based on the recommendation of the Strategy Committee, the Board approves the piloting of a limited number of transactions (at a maximum ten in total) by current PRs using domestic funding via wambo.org.</p> <p>3. Accordingly, the Board:</p> <p style="padding-left: 40px;">i. requests that the Secretariat: (i) provide to the Strategy Committee, by its next meeting, clearly defined draft indicators of success for the pilot; and (ii) report regularly to the Strategy Committee on the operationalization of this pilot, including any lessons learned from such transactions in light of the long-term perspective for wambo.org; and</p> <p style="padding-left: 40px;">ii. delegates to the Strategy Committee the authority to approve further transactions with domestic funding through wambo.org on a pilot basis, with the objective to provide input into further strategic and operational planning for wambo.org.</p>	Canada Switzerland Australia, Communities, France, Germany, Japan, Private Foundations, Point 7, UK, USA, EC, Developed NGOs, EMR, Developing NGOs, EECA, ESA, LAC, SEA, WCA, WPR		Private Sector
<b>GF/B37/DP10</b>	<p><b>Appointment of the 2017 Executive Director Nomination Committee Membership</b></p> <p>1. The Board acknowledges the nomination of members for the 2017 Executive Director Nomination Committee (the “Nomination Committee”).</p> <p>2. Accordingly, the Board approves the appointment of the following individuals to serve as members of the Nomination Committee as described below, in accordance with the terms of reference of the Nomination Committee approved under decision point GF/B36/EDP11 and set out in Annex 1 to GF/B36/ER10:</p> <p style="padding-left: 40px;">a. Michèle Bocoz, Chair of the Nomination Committee;</p>	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
	<ul style="list-style-type: none"> <li>b. Vinand Nantulya, Vice- Chair of the Nomination Committee;</li> <li>c. Ala Alwan, Member;</li> <li>d. Sarah Boulton, Member, EGC Member;</li> <li>e. Joanne Carter, Member;</li> <li>f. Julie Essiam, Member;</li> <li>g. William Steiger, Member;</li> <li>h. Peter Felix, Independent Member</li> <li>i. Reinhard Tittel-Gronefeld, Independent Member</li> </ul> <p>3. The Board requests the Nomination Committee to start the 2017 recruitment process for the next Executive Director.</p>			
<b>GF/B37/DP11</b>	<p><b>Health Situation in Venezuela</b></p> <ul style="list-style-type: none"> <li>1. The Board expresses: <ul style="list-style-type: none"> <li>a. Continued concern about the resurgence of malaria, shortages of critical commodities for HIV and TB, and broader health crisis in Venezuela and its impact on the region; and</li> <li>b. Appreciation for the engagement of communities, civil society groups, PAHO, UNAIDS, WHO and others and their efforts to raise awareness and explore solutions for this situation.</li> </ul> </li> <li>2. The Board discussed the situation at length, noting Venezuela is currently not eligible for Global Fund financing, and calls for a coordinated regional response to the health crisis in Venezuela and that addresses the impact on the region incorporating relevant partners, donors and financers.</li> <li>3. Under such circumstances, in the context of a regional response, the Global Fund will continue to engage and, if possible, support the regional response.</li> <li>4. The Board directs the Strategy Committee and the Secretariat to discuss exceptional circumstances in non-eligible countries as part of the ongoing review of the Eligibility Policy.</li> </ul>	Canada Switzerland Australia, France, Germany, Communities, Japan, Private Foundations, Point 7, Private Sector, UK, USA, EC, Developed NGOs, Developing NGOs, EECA, ESA, LAC, SEA, WCA, WPR		EMR

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
<b>GF/B37/DP12</b>	<p><b>Amended and Restated Global Fund Quality Assurance Policy for Diagnostic Products</b> Based on the recommendation of the Strategy Committee, the Board approves the amended and restated Global Fund Quality Assurance Policy for Diagnostic Products, as set forth in Annex 1 to GF/B37/06.</p>	Unanimous		
<b>GF/B37/DP13</b>	<p><b>Recognition of Dr. Mark Dybul</b> At the end of his term, the Board wishes to sincerely thank Mark Dybul for the exceptional leadership, vision, and passion he displayed throughout his tenure as Executive Director.</p> <p>Through his tireless, humble, far-sighted efforts to expand and maximize the impact of the Global Fund partnership, Dr. Dybul has inspired all partners to go farther than many thought possible: two successful Replenishments; implementation of a new funding model; shifting operations and attitudes to embrace a strong focus on impact; strengthening partnerships to deliver our mission; supporting the Board in devising a new Strategy; and developing forward-looking initiatives to better promote sustainability and innovation.</p> <p>The Board additionally recognizes Dr. Dybul's role in enhancing the relationship between the Board and the Secretariat. Through strengthening this relationship, he has helped the Global Fund remain targeted on achieving its mission and focused on best serving those affected by the three diseases.</p> <p>The Board wishes Dr. Dybul every success in the future.</p>	Unanimous		
<b>GF/B37/DP14</b>	<p><b>Appreciation of Outgoing Chair and Vice-Chair of the Board</b> The Board expresses its deep appreciation to Mr. Norbert Hauser for his leadership as Chair of the Board. Over his time working with the Global Fund, he has shown a high degree of personal commitment, willingness to devote his time and energy, and passion for the work of the Global Fund. During his tenure, Norbert has presided over significant and complex deliberations and decisions that will continue to shape the future of the Global Fund.</p> <p>The Board also expresses sincere gratitude to Aida Kurtović for her leadership as Vice-Chair of the Board. She has served the Global Fund with dedication and continues to show her personal conviction for the mission of the Global Fund by focusing her efforts as the incoming Chair of the Board. During her tenure as Vice-Chair, Aida has been an active driver of relationship building and collaborations that will have a lasting impact on the Global Fund.</p>	Unanimous		

Decision Point number	Decision Point text	Voting summary		
		For	Against	Abstain
	<p>Their stewardship of the Board delivered the enhanced governance structure, strengthened ties across Global Fund stakeholders, and helped to guide and direct external relations.</p> <p>The Board wishes Norbert every success in the future and bestows upon him the honorary title of Chair Emeritus. The Board welcomes Aida into her new role, and looks forward to her tenure, as Chair of the Board.</p>			

## Annex 2. 37<sup>th</sup> Board Meeting Documents List

Reference	Document Title
<b>For Decision</b>	
GF/B37/01	37 <sup>th</sup> Board Meeting Agenda
GF/B37/02	Annual Financial Report 2016 (including the Consolidated Financial Statements and Statutory Financial Statements)
GF/B37/03	Global Fund Financing Agreement with the World Bank
GF/B37/04	Update on the Implementation of the Amended and Restated Policy for Restricted Financial Contributions and Revision Proposal
GF/B37/06	Revisions to the Global Fund Policy on Quality Assurance for Diagnostic Products (Annex 1, 2, 3)
GF/B37/07	Wambo.org: Progress Update and Steps for Advancement
GF/B37/08	Appointment of the Board Chair and Vice-Chair
GF/B37/21	Update and Discussion on Health Situation in Venezuela
GF/B37/22	Board Chair and Vice-Chair Terms of Reference
GF/B37/24	Executive Director Nomination Committee Membership
<b>For Information</b>	
GF/B37/09	<i>Document reference not in use</i>
GF/B37/10	Ethics Office Annual Report and Opinion 2016
GF/B37/11	External Auditor's Report to the Board
GF/B37/12	Office of the Inspector General 2016 Annual Report
GF/B37/13	Progress Update on OIG Agreed Management Actions 2016
GF/B37/14	<i>Document reference not in use</i>
GF/B37/15	<i>Document reference not in use</i>
<b>Strategy</b>	
GF/B37/16	Funding Model Implementation Report on the 2014-2016 Period
GF/B37/17	Update on Sustainability, Transition and Co-Financing
GF/B37/18	Annual Report on Community, Rights and Gender 2016
GF/B37/19	2017-2022 Strategy Implementation Reporting

<b>Reference</b>	<b>Document Title</b>
GF/B37/20	Update on the Technical Evaluation Reference Group (TERG) Work
<b>Governance Oversight</b>	
GF/B37/05	Code of Ethical Conduct for Country Coordinating Mechanism Members
GF/B37/23	Report of the Coordinating Group
<b>Commitment of Financial Resources</b>	
GF/B37/25	Recoveries Report
GF/B37/29	Executive Summary: Global Fund Financial Performance and Financial Statements
<b>Assessment of Organizational Performance</b>	
GF/B37/26	End-2016 Corporate Key Performance Indicator Results
<b>Risk Management</b>	
GF/B37/27	Risk Management Report and Annual Opinion 2016
<b>Resource Mobilization</b>	
GF/B37/28	Update on resource mobilization and Action Plan for continuing resource mobilization efforts throughout the replenishment cycle



## **Annex 3. Glossary of Acronyms**

AFC Audit and Finance Committee

ALM Asset Liability Management

AMAs Agreed Management Actions

CCM Country Coordinating Mechanism

CFO Chief Financial Officer

CRG Community, Rights and Gender

CRO Chief Risk Officer

ED Executive Director

EGC Ethics and Governance Committee

HSS health systems strengthening

ITP Implementation through Partnership

KPI key performance indicator

LFA Local Fund Agent

STC Sustainability, Transition and Co-financing Policy

NGO nongovernmental organization

OIG Office of the Inspector General

OPEX operating expenses

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

PR Principal Recipient

RSSH Resilient and Sustainable Systems for Health

SDGs Sustainable Development Goals

SC Strategy Committee

TERG Technical Evaluation Reference Group

TRP Technical Review Panel

UNAIDS Joint United Nations Programme on HIV/AIDS

UQD Unfunded Quality Demand

WHO World Health Organization

## **Annex 4. Written Statements received from Constituencies**

In future, all Constituency Statements and Joint Position Papers received on the occasion of the Global Fund Board Meeting will be circulated to the Board at real time and further available on the [OBA Portal](#).

The following constituency statements and joint position papers are attached to this report:

- a. Communities Constituency Statement
- b. Developed Country NGO Position Paper on Resource Mobilization
- c. Developing Country NGO Constituency Statement
- d. ESA and WCA Constituencies Statement
- e. France position paper on the Prioritization Framework of unused funds
- f. Germany Constituency Statement
- g. Implementer's Group Paper on Sustainability, Transitions and Co-Financing
- h. Response to GF/B37/21: Update and Discussion on Health Situation in Venezuela

## Communities Delegation Constituency Statement Global Fund 37<sup>th</sup> Board Meeting

### GF/B37/10: Ethics Office Annual Report and Opinion 2016

- We appreciate the efforts towards the evaluation on ethics in the secretariat and the Global Fund at large towards embedding an ethical culture.
- We note with concern that there were more than 60 individual cases of conflict of interest related matters. ***Our delegation would like to request clear information as to the number of cases resolved, number of cases outstanding, and the reasons for the outstanding cases as to why they were not resolved in a timely manner.***
- While we understand that the scope of work related to Ethics is more related to ethical conduct of individuals within different Global Fund bodies, we also want to express our interest in engaging in a Board discussions around ethical principles in the context of how Global Fund “behave” as an organisation

### GF/B37/12: Office of the Inspector General 2016 Annual Report

- We commend the report for being able to identify what the challenges and problems are. ***We request for a clear plan from the OIG and/or Secretariat on how these problems will be solved and who will be responsible.***
- We appreciate the Data Use for Action and Improvement Framework that is designed to improve value for money and quality of service delivery and would ***request further information on the challenges in implementing the Data Use for Action and Improvement Framework.***

### GF/B37/16: Funding Model Implementation Report on the 2014 – 2016 period

- We welcome the positivity on the survey results, and have the following request for clarifications:
  - There is a clear difference between participants and TRP feedback responses in the survey. For example: in page 28, even though most participants feel that human rights and gender-related barriers have been adequately discussed, quite a lot of TRP members disagree with that statement. ***We would like clear information as to where the disconnection is and an analysis of differences in the responses.***
  - We are aware that survey answers are directly related to who the participants are, therefore we would like to request clear information on who the respondents were with regards to communities, population, membership on CCMs, sub recipients etc.

## GF/B37/17: Update on Sustainability, Transition and Co-Financing

- The success(es) of responsible transitioning from Global Fund financing is largely dependent on the political willingness and fiscal space in countries. The challenges were presented during the strategy committee meeting, however, there have been no concrete discussion on how to address them. We understand that this is a fundamental issue that might be beyond STC policy implementation and even beyond Global Fund control. We, therefore, encourage other Board members to take this into consideration in our effort to improve our approach to transition and sustainability issues. ***We also would like to request the Global Fund Secretariat to work with relevant stakeholders and/or partners and the Strategy Committee to present a range of options for the Board to consider, particularly on political willingness and fiscal space in transitioning countries.***
- Assurance is needed that **accelerated transition planning does not equate to accelerated transition**, and we once again stress the need for countries not to feel rushed nor forced into transition as we believe a forced transition will only bring temporary progress that will not result in sustainability of response.
- ***Future priorities for STC policy implementation should also include increased community engagement in STC readiness & planning and support for the role of communities.*** Communities actors are crucial in ensuring that countries maintain their commitments in responding to the diseases.
- ***We request that transition readiness assessment and other relevant reports/assessments need to be publicly available.***
- **We have strong concerns on Loan Buy Downs being proposed as one of options for innovative financing related to transition and sustainability.** Our primary concern is on community engagement and role in programmes that are supported through loans that will be repaid by the government budget. Another concern is because loan buy downs relies on the assumption that in the future, governments will have enough fiscal space to repay these loans. While loans are becoming everyday business between governments and development banks, **we remain highly sceptical on the idea of loan buy downs to cover health expenditures and programs where communities engagement are essential and central components.**
- **Implementation of the STC policy should focus on operationalization through collaborations with other in-country technical partners**, as technical partners will have more capacity and understanding in ensuring increased political willingness and domestic budget adjustments.

## GF/B37/18: Annual Report on Communities, Rights and Gender

- We welcome the progresses that have been indicated in the CRG report and we are particularly happy to reflect upon and see improvements on more collaborative work between CRG and other units in the Secretariat. **We note the importance that as one of the Key Pillars of the Global Fund strategy 2017 – 2022, that continued reporting on the collaborations between the CRG department and other departments/units are articulated in the next annual report.**
- While there is clear evidence that the work of the CRG has positively influenced the work of the Global Fund and the work that all departments in the secretariat carry on, and also understanding that most of the results of the CRG work are reflected in other global fund strategic objectives but we would like to request more qualitative and concrete outcomes to be highlighted more clearly in the report.
- We commend the CRG for its leadership in strengthening key population size data by addressing the longstanding deficiencies in data on key population size at country level. We are commending the work of technical partners in this particular area and encourage technical partners to continue the work on key population size data, especially in increasing the quality of data, methodology of size estimation and availability of data among countries.
- We welcome the results that came out from the independent multi-country review of community engagement in Global Fund grant making and implementation process that produces specific recommendations and we look forward to receiving the CRG responses to the recommendations.

## GF/B37/22: Board Chair and Vice-Chair Terms of Reference

We would like to see the **removal** of Section II, paragraph 6 (pg 9):

*“As the Vice-Chair may, at the end of his/her regular term as Vice-Chair, be nominated by a Board constituency as a candidate for the position of Chair, the Vice-Chair should throughout his/her term as Vice-Chair observe and gain an understanding of the responsibilities of the Chair”*

We believe that the paragraph is unnecessary, considering:

- Regardless of whether this paragraph is included in the document, there is nothing that will preclude either the sitting Chair/Vice-Chair to be nominated into the respective Chair/Vice-Chair roles
- The paragraph makes an automatic assumption that only the Vice-Chair may be nominated into the Chair position, and is unilateral. Nothing precludes the sitting Chair to be nominated into the Vice-Chair position
- The language creates undesirable presumptions of automatic succession from Vice-Chair to Chair
- The second half of the paragraph creates confusion on priorities, intentions, and responsibilities of the Vice-Chair in performing his/her role.

# COMMUNITIES DELEGATION

to the Board of the Global Fund to Fight AIDS, Tuberculosis and Malaria

## GF/B37/27: Risk Management Report and Annual Opinion 2016

- We welcome the risk management report and the level of detail provided.
- We request that a more comprehensive overview of the related documents provided by the Secretariat, OIG, and Ethics Office to better understand from a bird's eye view, what the challenges, risks, risk mitigation strategies/actions, and results of addressing these risks. ***Without eliminating the individual reports, we encourage the Secretariat, OIG, Risk Officer and Ethics Officer to jointly explore ways to present different aspects of challenges and risk management so the Board have more complete and continuous picture.***

## Response to GF/B37/21: Update and Discussion on Health Situation in Venezuela

*This paper is developed by the Communities Delegation to complement the Update and Discussion on Health Situation in Venezuela (GF/B37/21) and to provide further detail on the emergency situation in Venezuela. The information presented has been composed in collaboration with the Communities Living with HIV and affected by Tuberculosis and malaria Delegation (Communities Delegation), Developed Country NGO Delegation, and Developing Country NGO Delegation, and the following national, regional and global organizations: ACCSI (Accion Ciudadana Contra el SIDA), Accion Solidaria, CODEVIDA (Coalicion de Organizaciones por los Derechos a la Salud y la Vida) and ICASO.*

### Health Services in Venezuela

- Venezuela has one of the lowest public health expenditures in Latin America.<sup>i</sup>
- The National Assembly of Venezuela projects that inflation will exceed 670% by the end of 2017.<sup>ii</sup>
- The mortality statistics are reported with two and even three years of delay and present high levels of underreporting.<sup>iii</sup>
- The government of Venezuela has been promoting and allowing acts of harassment against those who report, document and denounce the health situation.
- The shortages of essential drugs, vaccines, surgical and basic medical supplies, including reagents for diagnostics are at critical levels throughout the country.<sup>iv</sup>
- Between 2009 and 2014, the number of operative beds in public hospitals fell by 10,143.<sup>v</sup>
- In 2012, the Ministry of Health reported that the reduction in the number of beds had meant to stop serving 1,125,610 persons.<sup>vi</sup>
- In 2015, 61% of hospitals had severely dysfunctional or faulty surgical medical material, 86% had damaged x-ray equipment, 94% had damaged or had no tomography services, 94% of laboratories were without any reagents and 44% of hospitals had to close down surgical rooms.<sup>vii</sup>
- In February, the Venezuelan Pharmaceutical Federation (FEFARVEN) warned that the levels of shortages had reached 80%.<sup>viii</sup>
- Public hospitals and clinics have lost 6,700 physicians.<sup>ix</sup>

### Persons at risk

- **63,000 people living with HIV (Dec 2015)<sup>x</sup>** who have suffered frequent interruptions of antiretroviral treatment<sup>xi</sup> and face the permanent shortage of CD4 and viral load reagents.<sup>xii</sup>
- **16,000 people with kidney problems** requiring dialysis and routine exams.<sup>xiii</sup>
- More than **50% of the population over 50 years of age** is affected, presenting (risks of) hypertension or diabetes.
- **1,500 persons with cancer** are affected by a lack of reagents and nuclear medicine drugs.
- **5,000 women diagnosed with breast cancer** do not have access to essential drugs.
- **Maternal mortality rates increased from 67 to 130 deaths per 100,000 live births** from 2014 to 2016.<sup>xiv</sup>
- **Incarcerated people** face severe adversities of health and have been adversely affected by outbreaks of **tuberculosis**.

## Impact of the health system crisis

- The weaknesses in the health system of Venezuela has resulted in a rebound of diseases that had previously been classified as eradicated, for example diphtheria<sup>xv</sup> and malaria among others<sup>xvi</sup>.
- Production of pharmaceutical products including essential medicines as come to a complete halt. Due to towering debts with international pharmaceutical companies and lack of access to foreign currency, there are no means to import medicines.
- The country is submerged in an institutional and structural crisis where there is absence of the most basic commodities. The protocol for pregnant women living with HIV is not being implemented, there is no access to C-sections and no available formulas for babies.
- At present, Venezuelans are subjected to queues and long waiting times in supermarkets for basic food and other products: chicken, sugar, rice, coffee, milk, etc. After several hours of waiting, products often have run out.
- A study by Caritas de Venezuela in 2016 identified 25% of children showing acute malnutrition and 28% showing a risk of malnutrition. The recorded levels of global acute malnutrition in the four federal entities are close to a situation of “average severity” according to the WHO classification system for assessing malnutrition in populations.<sup>xvii</sup>
- The HIV epidemic is seeing its highest peak ever with **31 new infections daily** and **11,000 new infections yearly**, according to the National Follow Up Report on the 2001 Political Declaration on HIV/AIDS<sup>xviii</sup>.

We urge the Global Fund, as a funding mechanism, but first and foremost as a partnership, to respond to this human crisis, looking beyond the limitations of policies and income classifications.

As much as we acknowledge the realities of systems and procedures, our delegation is firmly of the belief that any decision should be based on our shared mission to save lives.

We therefore call on this board as a whole as well as on individual constituencies to provide immediate concrete assistance in order to prevent further deterioration of the health system, avert current resurgence of epidemics and keep people alive.

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<sup>i</sup> WHO. World Health Statistics, 2014

<sup>ii</sup> Diario El Universal (2017). <http://www.eluniversal.com/noticias/economia/asamblea-nacional-inflacion-enero-2017-fue-del-1866-640985>

<sup>iii</sup> An example is the absence of information on HIV, transmission cases reach 90% under reporting.

<sup>iv</sup> The coverage remains below the standard recommended by WHO.

<sup>v</sup> Report of the Venezuelan Medical Science Network (Red Científicas Médicas Venezolanas, RSCV). 2013

<sup>vi</sup> MPPS: 'Memoria y Cuenta 2012,' page 114

<sup>vii</sup> Survey conducted by the Network of Physicians for Health (Red de Médicos por la Salud) in 130 hospitals in 19 states.

<sup>viii</sup> [http://www.el-nacional.com/sociedad/fefarven-desabastecimiento-medicamentos-80-escasez\\_0\\_781721961.html](http://www.el-nacional.com/sociedad/fefarven-desabastecimiento-medicamentos-80-escasez_0_781721961.html)

<sup>ix</sup> Statistics of the Venezuelan Medical Federation (FMV)

<sup>x</sup> [http://www.mpps.gob.ve/index.php?option=com\\_content&view=article&id=11749&Itemid=18](http://www.mpps.gob.ve/index.php?option=com_content&view=article&id=11749&Itemid=18)

<sup>xi</sup> [http://www2.paho.org/hq/index.php?option=com\\_docman&task=doc\\_view&gid=23711&Itemid=270](http://www2.paho.org/hq/index.php?option=com_docman&task=doc_view&gid=23711&Itemid=270)

<sup>xii</sup> Persons from all the states have reported that they have not been able to do CD4 and viral load tests since October 2015

<sup>xiii</sup> Report of the Foundation of Assistance to the Venezuelan Renal Patient (FUNAPREVEN). February 2015

<sup>xiv</sup> 14 mothers die every week due to health crisis. <http://revistasic.gumilla.org/2016/cada-semana-mueren-14-futuras-madres-por-crisis-de-la-salud/>

<sup>xv</sup> <http://www.foxnews.com/health/2016/10/21/long-eradicated-diphtheria-reappears-in-venezuela-government-blames-cia.html>

<sup>xvi</sup> <https://www.forbes.com/sites/timworstall/2017/02/10/congratulations-to-bolivarian-socialism-venezuela-sees-the-old-child-killing-diseases-back/#7cb8ca7c76eb>

<sup>xvii</sup> Caritas de Venezuela (2017). Línea Basal del Monitoreo Centinela de la Situación Nutricional en Niñas y Niños menores de 5 años en Venezuela, octubre a diciembre 2016. Disponible en <http://caritasvenezuela.org.ve/wp-content/uploads/2017/02/Situacion-Nutricional.-Oct-Dic-2016.-Caritas-Venezuela.pdf>

<sup>xviii</sup> National Follow Up Report, 2014-2015, Page 21.

[http://www.unaids.org/sites/default/files/country/documents/VEN\\_narrative\\_report\\_2016.pdf](http://www.unaids.org/sites/default/files/country/documents/VEN_narrative_report_2016.pdf)



## **GF/B37/28: ACTION PLAN FOR CONTINUING RESOURCE MOBILIZATION THROUGHOUT THE REPLENISHMENT CYCLE**

*This paper presents the Developed Country NGOs' reaction to the 'Action Plan for Continuing Resource Mobilization throughout the Replenishment Cycle,' as presented in GF/B37/28. It summarizes the Secretariat's proposal and outlines concerns and recommendations.*

### **BACKGROUND**

At its 36<sup>th</sup> Meeting, the Board unanimously passed decision point **GF/B36/DP03**, which called on the Secretariat to prepare an ambitious strategy for resource mobilization to present to the Board at its 37<sup>th</sup> Meeting.

#### **Continuing Resource Mobilization Efforts Throughout the Replenishment Cycle GF/B36/DP03**

The Board:

1. Notes the successful launch of the Global Fund Fifth Replenishment (2017-2019) and the importance of continuing to actively engage to mobilize increased resources throughout the Replenishment cycle; and
2. Requests that the Secretariat, under the oversight of the Audit and Finance Committee, develop an ambitious action plan for attracting additional resources, which may include providing additional pledging opportunities for donors and maintains the visibility of both unfunded quality demand and progress made in achieving impact, to be shared with the Board at its 37th Meeting, and subsequently reported on by the Audit and Finance Committee to the Board on a regular basis.

Document **GF/B37/28** presents the requested Action Plan for the Board's review.

The Action Plan outlines 12 "Strategic Actions" for strengthening and expanding the Global Fund's resource mobilization effort. Through these strategic actions, the plan has been designed to lead the Global Fund to achieve three goals for the 2017 – 2019 period:

1. Ensure full conversion of pledges and mobilize additional resources of up to US\$500 million over 2017-2019;
2. Prepare the groundwork for a solid 6<sup>th</sup> Replenishment in 2020-2022;
3. Explore and leverage potential new/innovative partnerships, sources of funds.

### **CONCERNS**

The Action Plan identifies a number of objectives, focus areas, targets, and strategic actions that we welcome and support. It seems, however, that the overall plan is very much focused on enhancing existing tools rather than exploring new and more ambitious approaches. In addition, explicit next steps and a costed plan to scale-up resource mobilization efforts are not defined.

These interventions are particularly urgent given evidence that country allocations will not deliver sufficient resources to support prioritized scale up—in the first window of applications, several countries are already shifting high impact interventions, such as community based treatment support services that will actually ensure the success of

treatment programs—to above allocation funding requests, because country allocations were too small.

The Developed Country NGO Delegation therefore raises the following concerns:

### **1. Lack of ambition**

The original decision point requested an “ambitious action plan.” In its present form, we believe the Action Plan lacks the level of ambition necessary to close the significant funding gap in the response to the three diseases. The goal of raising US\$500 million in additional resources over three years is commendable, but also disappointing given the financial gaps that have been identified for this current term and in the response to these diseases overall. The Action Plan seeks to enhance existing mechanisms but does not suggest approaches that are truly bold and new.

As one of the world’s leading institutions in global health, we would urge ‘out of the box’ thinking and initiatives that reflect the Fund’s catalytic role in global health and position the Fund to be a thought leader in discussions on the future of ODA and domestic financing for health. In this context, the Global Fund should consider initiatives that build a more contemporary understanding of ODA and domestic investments in health within the broader framework of the Sustainable Development Goals. It is with this in mind that the Fund should also consider exploring innovative partnerships in resource mobilization.

The leadership of the Global Fund and the World Bank, for example, could be invited to develop strategies aimed at leveraging joint investments in health that build on the strengths of both institutions. Doing so could significantly expand the pool of available resources to address shared health priorities.

### **2. Missed opportunity**

One of the most intriguing aspects of the Plan relates to an approach to setting targets for donor contributions – an approach that builds on current practices and might provide a helpful entry point for discussions on benchmarking donor contributions.

A brief analysis is given illustrating the share of net ODA OECD-DAC members have directed to the Global Fund through recent pledges. On average, OECD-DAC members contribute 2.5% of their total ODA budgets to the Fund. There is, however, large variation between countries. G7 economies tend to dedicate a higher share—slightly more than 3%. The plan notes that if all OECD-DAC donors increased their Global Fund commitment to 3% of their total ODA budgets, **up to \$2.8 billion in additional resources could be raised.**

The Fund has matured and has developed a robust and credible replenishment mechanism. Working towards bringing the relative commitments of donors to greater parity and unlocking such additional resources is an intriguing concept that requires further development in the Action Plan.

### **3. Obstacles the Board must address**

The Action Plan also points to the responsibility of the Board to address its governance model. The OIG notes in his *Governance Review Advisory Report* that the Global Fund's "resource mobilization efforts will face growing pressure to capture the untapped potential presented by non-DAC members." Exploring new donor roles—such as regional donorship—and making space for new or alternative ways of donor engagement are untapped issues in the Board.

#### **4. The need for enhanced advocacy**

There is broad agreement that the Sixth Replenishment will be challenging. The Action Plan points to the need for investment in building a civil society and political advocacy support base for the Global Fund, as well as country-specific media and communication strategies in order to increase awareness about the three diseases and the Fund in BRICS and other G20 countries (Strategic Action 9). We are very supportive of this initiative but would like to also emphasize that this is equally true for current donor countries where there is an existing, though often times fragile, advocacy base.

It should also be highlighted that the absence of broader political and public knowledge about the 'Global Fund' (and therefore, the lack of a branding strategy) poses an ever-increasing serious risk.

#### **5. Costed Action Plan**

Finally, we note with concern that the External Relations Division's resource allocation has been flat-lined since 2012. The effective implementation of the Board's call for an ambitious Action Plan will require investing accordingly. We therefore suggest the AFC present to the Board a costed Action Plan that includes investments that will enable the full implementation of an ambitious Plan.

### **RECOMMENDATIONS**

Building on the above, we would like to share the following recommendations and suggestions for strengthening the Resource Mobilization Action Plan:

1. We strongly encourage the Secretariat and the AFC to review the merit and potential of using a "3% of net ODA contributions to the Global Fund" as a benchmark in the upcoming replenishment strategy.
2. We urge the Board to request the incoming ED of the Global Fund and the leadership of the World Bank to develop a joint strategy for ATM and related investments in health and community systems—investments that leverage the comparative strengths of countries, and of both institutions, to significantly increase available resources for these critical areas.
3. We request that a revised Action Plan be prepared, in consultation with the AFC, to present to the Board at its 38<sup>th</sup> meeting. Revisions should include a budget that reflects full implementation of the Action Plan. The revised Plan should also include actions that respond to the OIG recommendations quoted in the Action Plan (see paragraph 43 and 44).

1. Position on Health Situation in Venezuela (GF/B37/2)
2. Code of Ethical Conduct for Country Coordinating Mechanism Members (GF/B37/05)
3. Annual Report on Community, Rights and Gender 2016 (GF/B37/18)
4. Office of the Inspector General (OIG) Annual Report 2016 (GF/B37/12)
5. Annual Risk Report and 2016 Assurance Statement on Risk Management (GF/B37/27)

## **1. Position on Health Situation in Venezuela (GF/B37/2)**

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Our Delegation visited Venezuela and witnessed the economic despair and lack of basic necessities. There were long queues for food on the street, absence of food and running water in hospitals, doctors trading food for toilet paper, broken X-ray machines in TB reference labs, people living with HIV and TB with no medications, pharmacies with empty shelves. What we saw was a collapsed economy and a decimated health system with HIV, TB, and malaria on the rise. Venezuela resembled a low-income country, vulnerable to increased rates in the epidemics and with no international aid.

In 2016, Venezuela was a High-income country and later downgraded to Upper middle-income. Venezuela, has the same income classification as China, the world's second largest economy. However, Venezuela is the world's worst performing economy. According to the IMF, Venezuela has an estimated inflation rate of around 1,600% which could go as high as 2,880% in 2018. For the second consecutive year, there was negative economic growth at -8%. This situation exposes the fallacy of World Bank country classifications by income which do not reflect the well-being or health status of the majority of the population in a particular country. Venezuela presents one dramatic example of why dependence on World Bank classifications is harmful to the Fund's mission.

It is easy to attribute the disaster in Venezuela to its own government, but the global community cannot turn its back on the people of Venezuela affected by HIV/AIDS, TB and Malaria. Reports from the Network of Positive People of Venezuela and from the movement of medical doctors, nurses, researchers and activists living in Venezuela, Observatorio Ciudadano de la Salud en Venezuela (Citizen's Observatory of Health Conditions of Venezuela) point to the dire and urgent need for assistance. We trust their findings and believe them to be extremely alarming and worth sharing with The Global Fund and Partners.

Our presence in Rwanda forces us to reflect on the 1994 Genocide and reminds us of our collective responsibility as an international community and the potential implications of delaying or failing to act. Former UN Secretary General, Kofi Annan (2004) said on the issue: "If the international community had acted promptly and with determination... If the United Nations, government officials, the international media and other observers had paid more attention to the gathering signs of disaster, and taken timely action, it might have been averted."

Let us learn from our mistakes. The people of Venezuela, living with and affected by the three diseases need our support. Our internal bureaucracy and self-imposed restrictions should not be the barrier to providing emergency help to people in extreme need. We urge the Board to decide rapidly on the options we have to help them.

## **2. Code of Ethical Conduct for Country Coordinating Mechanism Members (GF/B37/05)**

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The Delegation supports and recognizes the need for a Code of Conduct that would help improve the effectiveness of Country Coordinating Mechanisms. We request however that this CCM Code be removed from decision, and the session be utilized for information and discussion among Board Constituencies.

### **Eligibility Requirement poses a Barrier for Implementation**

While the ethical spirit of the Code of Conduct enjoys our support, we are deeply concerned about incorporating the CCM Code within Eligibility Requirement 6 of the CCM Guideline. This will create an additional barrier to access to funding for essential interventions at the national level – already a critical issue among CCMs and countries. We are not in favour of the proposal to impose this conditionality. We believe this will make the Code difficult to operationalize and may even cause further delays in absorption and access to funding.

### **Clarity around the Code's Implementation**

Currently there is little clarity around the plan and timeline for the Code's implementation or roll out, including the training of CCMs and communication around the mandatory implementation of the Code of Conduct. The Code itself obliges CCM members to identify and report fraud. At the same time, there is little mention of OIG cooperation in the communication, training and implementation of the Code.

### **Considerations for the CCM Code in Countries that are Transitioning**

For countries in transition, the Code creates yet another hurdle for eligibility. We believe that there needs to be a discussion of what benefit the Code might bring to countries that are transitioning and what incentive they might have in signing the Code.

### **Revisions in the Language of the CCM Code**

There is also a need to review the language of the Code. There are items which speak to the Global Fund's response and enforcement that will be problematic for many country contexts. For example, we see clear issues with the following two areas:

- *Country Coordinating Mechanism Members' Duties (pg 3)*: This section presents an expectation that, in addition to grant oversight and management, all CCM members are 'required to immediately report' suspicion or knowledge of fraud (pg 3).
- *CCM Members have a Duty to Report (pg. 10)*: The punitive nature of this language does not encourage reporting and compromises the culture of collaboration and trust that CCMs are supposed to foster. What are the envisioned actions to preserve this culture but also to protect those who make reports to the OIG and are most likely to come from civil society and key populations groups?

### **Need for Continued Consultation**

Finally, we share the African Constituencies' disappointment with the process of limited consultation. We request and stand ready to support a robust consultative process across a more representative number of CCMs. We also ask that the Ethics Officer with the Ethics and Governance Committee conduct a review of documents that currently guide performance of various CCM models (country level, regional etc.). Our Delegation remains at the disposal of the Secretariat and the Ethics Officer to assist in this regard.

Developing Country NGO Constituency Statements  
*37<sup>th</sup> Global Fund Board Meeting May 3-4, Kigali, Rwanda*



### **3. Annual Report on Community, Rights and Gender 2016 (GF/B37/18)**

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We commend the important work conducted by the Community, Rights and Gender Department. Theirs is a key role in advancing the Strategy in Human Rights, both in Geneva and in our countries. We offer the following reflections on the current CRG report.

#### **Need for continued Secretariat engagement with countries to advance key populations involvement and human rights**

The qualitative analysis by the CRG underlines that the specific advice given by the Secretariat and the TRP has influence on commitments to interventions for key populations at country level. How can we ensure that the Secretariat continues to engage closely with countries and that the advice given to national stakeholders supports their work in the area of human rights and focuses on key populations?

#### **The shrinking space for civil society consultations**

We are concerned that at the national level the space for consultations with civil society is shrinking either due to limited funds, or due to hostile environments. What trainings or requirements are anticipated to continue to catalyze meaningful engagement of key populations and civil society in concept note development?

#### **Mainstreaming human rights and gender equality across programmes**

We are concerned that while the Secretariat is advancing human rights and gender issues at the high level, these advancements are not reflected enough at the level of our constituents. Training for Secretariat staff around gender equality through SAGE is commendable, but should be extended to stakeholders at the country level. We see an opportunity for training of PRs, SRs, and CCMs that target education on gender equality and human rights and integrating these concepts across programmes. Is CRG planning such interventions?

#### **Reducing gender inequality**

Additional Secretariat strategic push to reduce gender inequalities and scale up of programming for adolescent girls and young women is commendable. We ask that this initiative be advanced beyond the 13 focus countries. With the existing collaborations with the Stop TB partnership, how can these advancements on gender be additionally strengthened beyond HIV?

#### **Scaling up of reporting of human rights violations**

Our constituents, particularly in Asia Pacific region, report continued reliance on drug detention centers despite Global Fund's ban on funding such programs. Other human rights violations are also reported, but evidently are not brought up to the attention of the OIG. We welcome a discussion on how we can better engage our constituents, the CRG platforms as well as Board Implementers to improve the uptake and process of reporting human rights violations to the OIG. Regional and national networks of key populations must be engaged to strengthen existing human rights complaints mechanisms to improve our ability to document when violations occur in Global Fund grants.

#### **Building capacity of regional and national networks through collaboration on key CRG initiatives**

From the report, it seems that the Secretariat relies on various consultants for human rights related work, for

example for the work on reducing gender inequalities and scaling up programming for adolescent girls and young women and work on data collection and analysis. While it is necessary that the CRG is adequately supported, we are curious if there is an opportunity to conduct this work instead through partner organizations, sub grantee organizations and south to south mentoring to build capacity and expertise of global, regional, and national partners and to provide for continuity and sustainability of this work. This is already done for TB and malaria specific interventions through work with partner organizations such as the Stop TB Partnership and we believe this could be done for other areas that the CRG prioritizes.

#### **Continued investment in key populations**

We appreciate Global Fund's heightened investment in key populations and the \$650 million figure in the last funding cycle is significant. However, according to the 2016 Delivering Key Results report the investment needs to double and triple this amount for 2020 and 2030 respectively to eliminate the HIV epidemic. We encourage the CRG to continue to leverage the Global Fund's position in advocating for more funding to key populations.

The CRG has laid solid groundwork for rolling out essential human rights and gender equality interventions. We anticipate the next report to include the plans to advance these interventions over the complete strategy period.

#### **4. Office of the Inspector General (OIG) Annual Report 2016 (GF/B37/12)**

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We are grateful for and commend the OIG for a clearly presented report. We share the following concerns:

##### **The decreased patient retention and gaps in diagnosis reported across the portfolio**

Serious consideration should be given to mHealth (mobile health), involvement of community health promoters, faith-based services and traditional healers which may help to address the challenges in access to health facilities.

##### **Controls and culture**

The OIG reports that an organization-wide risk accountability framework has been outstanding since 2013. We would like a response from the Secretariat on the 4-year delay on operationalising this agreed management action. We believe, further delay poses a reputational risk. Our constituents in implementing countries will begin to view this as a double standard.

#### **5. Annual Risk Report and 2016 Assurance Statement on Risk Management (GF/B37/27)**

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The Risk Management Report gave us a clear understanding on what has been done. However, we are very concerned that risk management is still not embedded throughout the fabric of the Global Fund. We have the following additional concerns:

##### **Potential risks linked to changing political landscape - conflict and market volatility**

We appreciate the considerations given to the changing political landscape and the risks it poses to the Fund's reputation. We urge consideration of potential market volatility and conflict that might result from current



political shifts. If such hurdles arise, they may pose significant risks to Global Fund function and performance. We recommend a discussion around these risks and how Global Fund's eligibility policy, catalytic investment funding availability, and transition priorities might change if they are introduced.

### **Global Fund role in responsible transitions**

We seek clarity on paragraph 17 of the report. In its current form, the message is such that it relieves the Global Fund of full responsibility for transition. While it is true that countries are ultimately responsible for ensuring sustainability and financing of health interventions, political climate, available resources and other constraints may impact ability to perform on these functions. In addition, the Global Fund, due to its prolonged relationships with many of the national PRs has both the ability and the responsibility to steer countries, provide support, and ensure that adequate economic analysis is performed and political will secured through transition. We request that the Board considers the risks associated with poor transitions as well as the risks associated with requiring countries to transition before they are ready.

### **Accessibility of affordable medications**

We appreciate the discussion of the risks posed by drug and insecticide resistance and the mention of the work with the Green Light Committee. We would like to get more details on this partnership. We also urge the Secretariat to advance its efforts to ensure MDR TB drugs are accessible and affordable across the Global Fund portfolio and globally.

### **Lack of discussion around risks to advancing human rights**

We are disappointed that there is no extensive discussion on the risk to advancing human rights, this being one of the strategic pillars of the Strategy. The lack of discussion on risk in advancing human rights and mitigating such risks for key populations in countries like Tanzania and Philippines deprives us in developing more proactive approaches in addressing this issue. We request further reporting around this by or before the 39<sup>th</sup> Board Meeting.

Contact

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## **April 27<sup>th</sup> – 28<sup>th</sup> April 201 Africa Constituencies Meeting**

### **Statement by Africa Constituencies**

The Eastern and Southern Africa, and West and Central Africa constituencies held their pre-board meeting at the Lazizi Premiere hotel in Nairobi, Kenya between 27<sup>th</sup> -28<sup>th</sup> April, 2017. The Constituencies reviewed and discussed the documents that have been produced for discussion and decision at the 37<sup>th</sup> Board meeting. The Constituencies took serious note of quality of service issues which are critical to ending the three epidemics. It was proposed that Global Fund consider further investments in the following; (i) community-led initiatives to ensure improved adherence to treatment and reduction of loss to follow-up through improved patient tracking and active community-to-facility referral systems, (ii) Improved linkages between CCMs and the National ART Committee, TB Quality Assurance Systems and the Central Public Health Laboratory Quality Assurance programs as an essential part to ensure compliance with guidelines. these should be integrated in PR KPIs. In addition, include these in Prospective Country Evaluations(PCEs) for timely identification and remedial action.

The constituencies also noted with serious concern the weaknesses that have been identified in Supply Chain Management Systems (SCMS) as a sub-set of Procurment Supply Chain Management and its impact on service quality as well service coverage. The absence of a comprehensive system to improving SCMS across the Global Fund portfolio and other supported commodities is identified as a major challenge. The constituencies wish to bring to the attention of the Board the following issues that affect performance.

#### **1. Investing in building Resilient and Sustainable Systems for Health (RSSH)**

The inclusion of RSSH in the current Global Fund Strategy (2017-2022) is considered by the constituencies to be a very important development issue. In the era of the UN Sustainable Development Goals, we cannot expect to sustain the impact of The Global Fund investments in the three diseases without a deliberate accompanying investment in building resilient systems for health. The Global Fund alone is not expected to do this single-handedly. There are other players, both the countries themselves and other development partners (multilateral and bilateral), civil society and private sector. The African constituencies believe that since The Global Fund is focused on the three major diseases affecting the continent, it (The Global Fund) is well positioned to play a vital catalytic role in mobilizing the partners to invest in health systems.

The constituencies take note that despite the high priority placed on RSSH, due importance is not attached to it in the allocation of resources. In allocation letters sent to countries, the allocation is only to disease programmes with the assumption that health system issues can be covered within the the disease programmes. Experience at country level shows that there are certain cross-cutting health systems which are vital and yet cannot be captured in one specific disease programme or the other. These include the supply chain management, data and information systems, laboratory services, human resources for health among others. Which, are cross-cutting and are best handled as such.

And they need separate and specific funding allocation rather than keep silent about them.

Country experiences in the recent funding request processes suggest that RSSH is yet to be prioritized by The Global Fund. Accordingly, the Country Teams seem to be inadequately prepared to promote and engage in discourse regarding Global Fund investment in building resilient systems for health. The African Constituencies would like this issue of investment in building resilient systems for health to be given due consideration and direction by the Board.

## **2. Building Functional CCMs**

The Country Coordinating Mechanism (CCMs) are a critical building block in the paradigm/model of The Global Fund. They mobilize stakeholders at country level to develop grant applications; build partnerships for the implementation of programmes funded; oversee utilization of the resources; and ensure programmatic and financial performance. All the key partners at country level have a representation on the CCM, making it superfluous for The Global Fund to take the traditional path of deploying country representation/presence.

However, the CCMs have evolved differently since at the very inception of The Global Fund the countries were given the option to determine their direction. Subsequent effort has been made by The Global Fund to spell out minimum standards for inclusion/representation and conduct of the CCMs. However, the result is that different CCMs are performing differently and some are challenged in terms of functionality and inadequate clarity of their role.

The African Constituencies firmly believe that the CCM concept is a great idea that needs to be developed further, institutionalized and strengthened to play their critical role in the Global Fund model. The potential to take on responsibilities beyond The Global Fund to include other global health financing initiatives such as GAVI is a real possibility that can reduce duplication of governing structures at country level. The constituencies welcome the initiative on the CCM Code of Conduct Board Paper which proposes a code of conduct that will bring CCM members under the same foundational ethical obligations as the remaining entities and individuals in the Global Fund eco-system. However, the African constituencies urge the Board to give the constituencies adequate time to discuss and make substantial input in this paper before it is brought to the Board at its next meeting. At present we see problems in the paper concerning:

- Lack of enforcement mechanisms, self-regulation is unlikely to succeed
- Training targets individuals but CCM members represent constituencies and groups and aren't there as permanent members
- The assumption in this policy is that CCMs have been consulted adequately which isn't the case
- The paper recognizes that the ethics could potentially impact on the implementation
- It requires CCM members to report fraud which may be difficult.
- Majority of CCMs still struggling with oversight and now introducing a policy like this may curtail their development
- The principle is how to substantiate allegations of fraud that may result from individuals that are wrongly accused. Impact on individuals and labelling

Hence the African constituencies suggest that adequate consultation with the countries is essential so we can have time to work on a position paper for discussion at the next Board Meeting.

The constituencies also believe that funding cross-country learning will be of immense benefit for sharing experiences and best practices. This can be organized in clusters of CCMs bringing along other key decision makers. Moreover, currently there is no defined CCM Model that Countries can reference to ensure that they have the right organizational structure and skills-mix to effectively play their role.

### **3. Absorption**

Low grant absorption is a persistent problem that countries in the African countries experience. The low absorption is due to factors at two levels: 1) The Global Fund secretariat level in terms of protracted grant negotiations that shorten the life span and delay grant implementation; approval waiting time period due to multiple fiduciary layers and inadequate engagement by Country Teams and/or Portfolio; and 2) the country level where weak health systems especially in areas of supply chain management and procurement, inadequate or unskilled Human Resources for Health (HRH) and poor quality of data for planning and inadequate documentation; and weakness of CCMs in effective engagement of implementing partners.

The low absorption rates impact not only service coverage but service quality as well and therefore it calls for focused attention by the Global Fund. In this regard, the African Constituencies welcome the initiative of the Technical Evaluation Reference Group (TERG) of Prospective Country Evaluation (PCE) as a means of institutionalizing continuous improvement of implementation of the Global Fund paradigm/model throughout the life cycle of the grant based on evidence generated during implementation. This will improve grant performance, strengthen in-country partnerships, improve absorption and hence impact. It is an excellent approach to facilitate continuous improvement of program implementation and quality. African Countries should be encouraged to embrace PCE in their programming. This has the potential to resolve some of the implementation issues that grantees continue to experience. The quarterly updates ensure that issues are resolved with minimal impact on program implementation. However, there is need for Global Fund to consider issues that could increase the impact of PCEs on programming: (i) to develop and refine the PCE tools and support countries to roll them out beyond Global Fund supported programs. This is more sustainable. (ii) roll out PCEs to sub-national health structures (districts) where implementation and service delivery occurs, (ii) leverage and build on existing systems like the PEPFAR CQI and the GAVI PCEs.

The Global Fund must be commended for taking the decision to fund programs in high risk environments where absorption is particularly challenged. The challenges though are the strategies that GF has in place to influence change and transitioning these countries from high risk to stable. CCM strengthening alone may not be sufficient to achieve this. We would recommend the following approaches that can be implemented through in country partnerships: (i) empowering communities to hold their leaders accountable, (ii) investing in strengthening leadership, country ownership and governance and (ii) partnerships with civil society, regional think tanks and the private sector to advocate and push for healthcare reforms.

## 37th Global Fund Board Meeting – Kigali, Rwanda

### French position paper on the Prioritization Framework of unused funds

The Global Fund to fight AIDS, tuberculosis and malaria plays a key role in the fight against the pandemics. **Achieving the sustainable development goals for health depends on its action and the complete implementation of its strategy.**

The previous triennium highlighted the challenges faced by some implementing countries in fully using their allocation and rolling out their programs, making it difficult to achieve their national objectives against the pandemics. In October 2015, **the Global Fund launched the ITP for a major partners mobilization to elaborate a coordinated response to low absorption** during the 2014-2016 allocation cycle. This action highlighted structural issues, often linked to the weakness of health systems.

Given this situation, it is critical that we **focus our efforts on the bottlenecks<sup>1</sup> and structural challenges faced by these countries and on finding solutions to tackle them.** This is a fundamental condition for the programs of the Global Fund to be sustainable and universal, and so for it to contribute fully to achieving the Sustainable Development Goals, while leaving no country behind.

In this context, the **Prioritization Framework** for the reallocation of unused funds over the 2017-2019 period represents an **opportunity to address these problems.**

*This paper is intended to share our views on this topic and exchange with constituencies on this major issue for the current triennium.*

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Implementing the Global Fund's strategy and achieving its **programmatic objectives (defined in the KPIs)** depend on the **full consumption of allocations by the countries. This objective will not be achieved unless the Global Fund focuses its efforts on each and every country, not only those with good disbursement rates.**

The Comprehensive Funding Policy (CFP) sets up financial management based on asset and liability management. This approach involves the regular reallocation of unused grant funds<sup>2</sup> in accordance with a two-objective **prioritization framework**: 1. maximize impact and 2. maximize portfolio performance. **The reallocation of funds resulting from this mechanism could have a key leverage impact** for the implementation of the 2017-2022 Global Fund's strategy.

In order to respect the universality of the Global Fund strategy, and in particular the objective of building Resilient and Sustainable System for Health, we believe that the CFP mechanism should further emphasize on bottlenecks. Indeed, lessons learned have shown that a low absorptive capacity from countries can result from those **bottlenecks**. To maximize portfolio performance, the prioritization framework should enable the reallocation of resources aimed at tackling these structural and systematic needs, and not only focus on the Unfunded Quality Demands.

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1 Such as strengthening financial management, information management systems, training for health workers, procurement and supply chain, policy and governance, and service delivery

<sup>2</sup> KPI 7b defines a 75% target of allocations' budget spent, therefore 25% may be dedicated to reallocation through the prioritization process to be defined by the Strategy committee.

We welcome the ITP mainstreaming into the operational model of the Global Fund (now Impact Through Partnership), in particular for its focus on identifying and resolving bottlenecks. Given the important needs in this area, **technical assistance**, which is fundamental to this work, **must be a shared responsibility among the Secretariat, countries (CCMs) and technical and financial partners in terms of action, funding and prioritization**. The ITP roll out should allow a better integration of technical assistance into grant applications to provide a sustainable response to structural issues. This would thereby promote programmatic and financial risk management integrated within the Global Fund model and address the financial barriers that technical and financial partners (TFPs) are currently facing.

Moreover, within the 2017-19 timeframe, a number of countries have seen their allocation reduced and had to prioritize their action on program funding, to the detriment of the resolution of these structural challenges. There is a risk that the **possibility of dedicating up to 5% of available grant funds on a request for technical assistance** may no longer be considered as a priority by countries whose allocation has been reduced.

**In this context, we call for:**

- **The Global Fund to take the necessary steps to address bottlenecks by systematically taking into account the structural challenges faced by countries in grant implementation**
- **Optimization within current country grants to become a primary objective of the Prioritization Framework for the funds that become available over the coming allocation period.**
- **The ITP be considered as a Secretariat wide function across all aspect of grants and partnership.**

**This optimization could be done as follow:**

- Encourage bottlenecks identification and solutions to tackle them during the grant implementation cycle (by countries, country teams, technical partners, OIG analyzes and TRP).
- Allow a reallocation of unused funds to solve these bottlenecks. This reallocation could be achieved through the submission by countries of a **“Strategic Implementation Demand”**, through which countries would express their request for action on the identified bottlenecks (corrective actions, scale-up actions, tools...). The TRP could be consulted to give its opinion on these requests.
- Strengthen the implementation of these actions through coordination between the Secretariat, countries and the TFP, within the ITP framework.

Therefore, achieving the objectives set by the **Global Fund strategy** requires that particular attention be paid to the structural and systemic challenges that limit the implementation of programs. The portfolio optimization and the Prioritization Framework of funds **cannot be solely guided by the absorptive capacity criterion**.

**This is a prerequisite for a realistic achievement of the Sustainable Development Goals set by the international community, which calls for pandemics elimination by 2030.**

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## Constituency Statement Germany

### Resilient and Sustainable Systems for Health (RSSH)

The Strategy 2017-2022 is an essential step towards improving health service delivery in countries through Global Fund grants. How the Global Fund rolls out the 2017-2019 allocation is the litmus test for the strategy and the Global Fund's **commitment to health and community systems**: If Global Fund resources are meant to strengthen resilient and sustainable systems for health (RSSH), the **way we do business needs to reflect this. Business as usual will not suffice** – supporting RSSH is a cross-cutting issue that needs to be realized in all Global Fund operations. In some areas the Global Fund may need to fundamentally change its *modus operandi* to ensure the translation of this strategic objective into practice. Looking at the high number of funding requests expected in the first half of 2017 alone, we worry **RSSH might fall victim to the rush for quick funding requests and grants**.<sup>1</sup> Experiences from the first wave of funding requests show that the **disease split** remains one of the key challenges: the allocation for countries is **made up of three parts: HIV, TB, and Malaria**. This leads to a **lack of clarity** with regard to countries' right to change this split and to decide, based on their needs, **if and how much funding to request for RSSH**.

- The Global Fund should **include RSSH in its allocation** model.
- In this allocation period, **strong engagement from partners** on the ground and the **Global Fund country teams is necessary to secure sufficient RSSH funding** from within the country allocations for Aids, TB and malaria.

### Country Coordinating Mechanisms (CCMs)

**Well-functioning CCMs are crucial** to achieve the Global Fund's mission and the Global Fund should therefore **devote more attention and more support** to them. This was also one of the three recommendations of the Global Fund's recent review of its business model in high risk settings. CCM membership should ideally **reflect all priority areas of the Global Fund's Strategy** as well as **all relevant players**: government, CSOs, communities, development partners, and private sector. We would expect to see CCMs much **better connected** to the planning and decision-making in the national **health sector overall**; they should **combine expertise** on the three diseases with health and community systems strengthening, human rights, and gender equality. While we are **aware of the challenges** CCMs are facing in many countries, we believe that the **principles and the functions of the CCM** can continue to make a difference and improve governance in the health sector, if we manage to support CCMs to become fit for purpose. **A Board-endorsed CCM strategy can be a game changer!**

- Building on its good practice, the Global Fund should develop the CCM Strategy in a **transparent and inclusive consultation process** at different levels: (a) Board), (b) in-

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<sup>1</sup> A high proportion of **funding requests is expected to be submitted in 2017**, especially for those countries with grants ending in 2017. During the **first submission window** (20 March 2017), the GF received **92 funding requests** (56 applicants – individual and multi-country – 110 disease components).

country (state and non-state actors), and (c) Global Fund Secretariat as well as bi- and multilateral partners.

- The strategy should address **how the CCM can be connected to wider health sector governance**.

## Eligibility and Transition

When we adopted the policies on eligibility and sustainability, transition and co-financing one year ago, the notion of a “**responsible transition**” was coined. Since then the Global Fund has taken a number of **important steps to support countries** in diagnosing what additional steps they need to take to prepare for decreasing or ceasing Global Fund financing. However, looking at the case of Venezuela – a country in a health crisis, but yet outside the mandate of the Global Fund – we have to ask whether our **current policy framework is good enough**. Other **countries will soon face ceasing support from multiple donors**. In these contexts we need a **coordinated approach**.

- The Board should **mandate the Strategy Committee** to present a proposal on how to approach **eligibility in countries facing health crises** or other exceptional circumstances.
- The **platform offered by UHC2030** should be used to define a **common framework on transition** in the health sector.<sup>2</sup>

## Executive Director Selection Process

We recognize the challenge of balancing expectations regarding transparency and confidentiality. However, we feel that an **opportunity for the final candidates to publicly engage with key stakeholders** will significantly enhance the trust in the new Executive Director (ED). The term of the **next ED** will be a crucial time period for the implementation of the **Global Fund’s strategy 2017-2022**. The ED ToRs (approved in November last year) already establish this **link between the ED’s qualification and the Global Fund strategy**.

- The Board should explore **when and which information about ED candidates** should be **shared internally** with the Board and externally with the public and what **public engagement** of the final candidates could look like.
- The EDNC should therefore also **take all four goals of the Global Fund Strategy into consideration** when assessing the **qualifications** of ED candidates.

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We are looking forward to your comments and questions!

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<sup>2</sup> To the Website of the UHC2030 working group on Sustainability, Transition from Aid and Health System Strengthening: <https://www.internationalhealthpartnership.net/en/news-videos/article/first-meeting-of-uhc2030-working-group-on-sustainability-transition-from-aid-and-health-system-strengthening-401839/>.



## Global Fund Policies addressing Sustainability, Transitions and Co-Financing

### BACKGROUND

The Global Fund's (GF) approach to sustainability, transitions and co-financing (STC) is primarily set out in the Global Fund's [Sustainability, Transition and Co-financing Policy \[GF/B35/04\]](#), approved by the Board at its 35<sup>th</sup> meeting. Several other GF policies and initiatives—including the [Global Fund's Eligibility Policy \[GF/B35/06\]](#), [Challenging Operating Environments Policy \[GF/B35/03\]](#) and the [Emergency Fund Special Initiative](#)—are also relevant to STC.

This document presents four areas fundamental to addressing STC across the GF's portfolio:

1. STC Policy Monitoring and Evaluation
2. Beyond allocations sources of funding for STC
3. Eligibility
4. Procurement and supply chain

There are also two key cross-cutting issues:

- A key overarching priority for all STC-related policy should be to prevent failed transitions and ensure sustainability. It is essential that people in need of treatment, prevention and care do not suffer because of premature, poorly planned, and/or under funded transition efforts.
- Currently, interventions for key populations are most negatively impacted by bad transitions. Key populations and communities should instead benefit from the transition and so transition processes should ensure continuation of all essential services at least at the minimum level according to international standards and with no one left behind.

### 1. STC POLICY MONITORING & EVALUATION

While the GF's STC Policy is reflective of Board decisions and GF-related initiatives since 2007 (see Annex 1), the STC Policy itself was first implemented in 2016. As a result, it is too soon to see tangible results regarding the policy's impact. The GF Secretariat estimates that a full review of the STC policy may be possible in 2018.

#### **Recommendation 1:**

Plans should be put in place by the Secretariat for a full review and evaluation of the STC policy by the end of 2018. This should complement the planned TERG follow-up evaluation of both STC and COEs in either 2018/2019.

In the meantime, accountability mechanisms that monitor and enforce the implementation of transition plans are essential. For example, countries facing transition have an urgent need to sustain and scale up life saving treatment, prevention and human rights programs—with virtually no funding sources to fill these gaps. Transition planning must focus on addressing these priorities, and communicating clearly to the Board when transition planning does not mitigate these risks, so appropriate measures can be taken. The monitoring and evaluation of countries in transition also needs to extend beyond efforts to sustain health services and interventions; it must also extend to the transition process itself<sup>1</sup>.

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<sup>1</sup> For discussions of the criteria or aspects of successful and failed transitions: <http://www.icaso.org/handling-healthexperiences-global-fund-transitions> & Principles of a Successful Transition from External Donor Funding, STOPAIDS, 2016

**Recommendation 2:**

The GF should review further its plans in regard to monitoring and learning from transitions and strengthening them, including:

1. Clearly defining the elements and stages of both successful and failed or incomplete transitions.
2. Based on these elements and stages, assigning clear indicators to measure success of transition and sustainability for use by in-country accountability mechanisms to track successes or flag emerging challenges to the Board, and
3. Identifying clear risk mitigation strategies and developing a plan of action/interventions to address the failing components of sustainability and transitions
4. Reviewing all on-going transitions on a regular basis, producing a progress report to the Board and identifying critical enablers or disablers for transition to help improve future transitions.
5. Maintaining contact with countries that are no longer eligible (including transition funding) and that have graduated prematurely (such as Macedonia and Bosnia) in order to receive regular updates on the aftermath of transition. Including civil society in discussions and feeding the updates into the evaluation of transitions.
6. The Chief Risk Officer conducting a risk assessment of the countries that are in transition.
7. Requesting OIG to conduct an audit of (unsuccessful) transition in order to have an independent review of the process and documenting lessons learned to help other countries.
8. The Global Fund Secretariat leading multi-sector coordination (besides through the CCM) between stakeholders at country level, other donors, technical partners, government, civil society and communities representatives.

There is currently an absence of a mechanism in many transitioning countries capable of playing a valuable watchdog role in regard to transition, assessing progress against the transition plan and national strategy, tracking changes to the epidemic, and holding governments and other key stakeholders, including the Global Fund, accountable. In addition, in every country there are national forces – both in government and in civil society - working to increase HTM investments. The GF must pro-actively support these forces, especially in transitioning countries, as their success determines the public health safeguarding of the Fund's investments to date.

**Recommendation 3:**

The Secretariat should review options for how to best establish accountability mechanisms for each country transitioning. This could include:

- formally engaging the CCM to regularly monitor the transition plan at country level
- funding regional civil society organizations to independently review and support the national response on the completion of transition.
- funding the mapping of government and non-government efforts to increase HTM budgets, and should create a plan for supporting those efforts, including via advocacy funding.

Being such a critical issue for the GF, Board delegations are clear on their desire for ongoing reporting on STC implementation through the Strategy Committee and at Board meetings. This

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requires updates on STC at each Board meeting and discussions on STC at each strategy committee. A programme of reporting on STC should be outlined for the Strategy Committee that covers the topics such as (building on recommendation ii): i) reporting on indicators measuring the success of transition and sustainability work; ii) Analysis of the results of Transition Readiness Assessments including a list of countries with upcoming TRAs iii) mitigation strategies in failing transitions; iv) Implementation and effectiveness of Strategies for building sustainability v) Civil society and key population funding sources, levels and mechanisms, including reporting on KPIs 9B and 9C on Key pops in MICS vi) Inclusive governance during and after transition, including the role of CCMs vii) procurement and supply chain management in transitioning countries

While there is still much to learn and improve in its STC work, there is no doubt that the Global Fund is already leading the way globally in relation to responding to the issues and the broader debates around ODA for health. As such the Global Fund should take a stronger thought-leadership role by convening additional focused opportunities for Board members, staff and GF stakeholders (through, for example, Board retreats, partnership forums etc) and external discussions on STC with key partners including bilateral and private donors, other multilaterals, national governments and civil society (through one-off discussions but also through other key mechanisms such as UHC2030 etc).

### **Recommendation 4:**

- The Strategy Committee should commit to have an STC discussion at each of its meetings leading up to the formal review of the STC policy in 2018
- As STC update should be a standing item on each Board meeting agenda
- The Global Fund should take a stronger thought leadership role on STC, eligibility and broader ODA for health debates, convening discussions both with Global Fund stakeholders and in the broader international development community.

## **BEYOND ALLOCATION SOURCES OF FUNDING FOR STC**

A range of funding mechanisms is available for the GF to help countries address STC issues. These include: Catalytic Investment matching funds and strategic initiatives; portfolio optimisation; and new mechanisms yet to be fully explored, such as loan-buy downs, social impact bonds, and other proposals such as the *Sustainability Bridge Fund*.

### ***Catalytic Investment priorities***

#### *Role of multi-country grants*

Harnessing Catalytic Investment and strategic initiative funding could strengthen sustainability and transition preparedness planning. The STC policy (Part 1: Sustainability; 7c) recognises that multi-country grants are an effective tool for supporting advocacy and addressing barriers to accessing health care in contexts where political constraints prevent domestic investment in interventions for people living with, affected, or at risk of HIV, TB and malaria—especially key populations.

### **Recommendation 5:**

The Global Fund Secretariat should outline how multi-country approaches can play an important role in ensuring that transition policies are implemented and sufficiently funded.

#### *Prioritisation of immediately transitioning countries*

Under the Strategic priority on Sustainability, Service Delivery and Health Workforce, the Strategic Initiative on Sustainability, Transition and Efficiency (US\$15 million) covers both transitioning countries and countries with low domestic spend on health. The latter group of countries, while critical over the long term, could swallow up a large portion of this relatively small amount. At the moment it is still unclear what ratio will go to countries that are immediately transitioning.

**Recommendation 6:**

The focus of this Strategic Initiative could be on countries undergoing transition with low transition readiness scores and countries whose transition during 2014-2016 allocation period was not properly planned or hindered by legal and political barriers. These countries include Albania, Bosnia and Herzegovina, Bulgaria, Georgia Kosovo, Macedonia, Malaysia (transition planning), Moldova, Montenegro, Romania (TB), Serbia, and (voluntarily) Thailand.

***Use of unutilised funds for STC***

There do not appear to be clear processes regarding unutilised funds from approved Catalytic Investments or the recovery of funds from country allocations (savings or recovery of repayments after fraud). If unutilised funds can be made available by the end of the funding cycle, they can be helpful to reprogram grants within the current cycle and for immediate needs. Unutilised funds could be used to support innovative regional or national funding mechanisms designed to fund essential services or human rights and advocacy programming during transition. Such resources could also be used to deliver "high impact" interventions in transitioned countries.

**Recommendation 7:**

The Secretariat should clarify if it is possible to identify unutilised funds earlier so that they might be used before the end of the current funding cycle. The Secretariat should also clarify the potential value of unutilised funds and what level of funds might be made available to support countries that are immediately transitioning and have been unable to benefit fully from the long term planning and support envisioned within the STC policy.

***Blended Finance***

The GF is in the early stages of exploring a potential partnership with The World Bank to issue "loan buy-downs" to leverage additional health sector funding for GF grant recipient countries, including those transitioning. The principle is that buy-downs would allow countries to use of a portion GF grant resources to obtain low or no interest loans from The World Bank specifically earmarked for health, providing access to significantly more concessional funding through loans for the three diseases and health systems strengthening than GF grants along can provide.

Social impact bonds are another mechanism where private investors pay for interventions to achieve agreed outcomes and outcome funders (governments, private sector or donors) make payments to investors if the interventions succeed.

**Recommendation 8:**

In its current consideration of blended finance, the Global Fund should engage with the board in its assessment of the appropriate use of these measures, provide a framework for pilot proposals with evaluation criteria and a clear decision making process for the board.

***Social Contracting Mechanisms:***

Social contracting is the process through which governments fund are used to fund entities that are

not part of government (called here civil society organizations or CSOs) to carry out activities that the government wants implemented and that the CSOs agree to implement<sup>2</sup>.

Evidence across the world suggests that forming a stable, meaningful partnerships between governments and CSOs can greatly enhance the goals of a country's overall response to HIV, TB and malaria.<sup>3</sup> Many evaluations over the past three decades have found that partnerships between government and CSOs brings cost savings and efficiencies as well as increased effectiveness.<sup>4</sup> For those activities that seek to address the needs of key populations most at risk of or affected by HIV, CSOs play a particularly important role. This is already the centrepiece to national HIV responses for key populations in many high income countries such as Germany, the US, UK, Canada and Australia.<sup>5</sup>

Social contracting is common in some transitioning countries but it is rare or, in fact, impossible in other countries in transition. Some countries have laws against government funds being provided to non-state actors, which means governments cannot fund CSOs to work on HIV, TB or on anything else. In other countries, the government does contract CSOs but within very narrow bounds. For example, CSOs may be able to provide home care to PLHIV and PLTB, but not to do any advocacy or to work with any criminalized populations (such as drug users, sex workers and MSM), or allowed access to prisons. There is enormous variation in the ways that laws and governmental regulations (sometimes differently at national, provincial and local levels) restrict: a) the ways that CSOs can be registered; b) activities they can carry out with key populations; and c) the activities for key populations for which government funds can be used. Legal and regulatory frameworks sometimes have to be revised to allow NGOs to serve as social contractor and to deliver medical services, which might require licensing.

In addition, irrespective of national laws and regulations, political will may not be present and decision-makers may not allow CSOs to be funded by government budgets. In one country, it may be reluctance on the part of provincial officials to fund CSOs to work with key populations (despite national approval); in another, it may be that the contract itself is set up in such an unfair way that no CSO can access and use the funds effectively.

### ***Sustainability Bridge Funding***

There remain considerable risks in countries which became ineligible before the STC policy was adopted, that investments made and programmatic gains achieved will get lost due to lack of ongoing commitments by government, threatening closure of services, resurgence of disease and loss of life. In many of these countries there are no or few external sources of support for civil society accountability work, no contracting mechanisms for government funding of NGO's and legal

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<sup>2</sup> See NGO social contracting fact sheet Ukraine, UNDP Technical Report · January 2016

<sup>3</sup> UNAIDS Guidance for Partnerships with Civil Society, including people living with HIV and Key Populations, (2012); Bonnel R. Funding mechanisms for civil society: the experience of the AIDS response World Bank (2013); Rodriguez-Garcia R, Bonnel R, Wilson D, N' Jie N. Investing in communities achieves results: findings from an evaluation of community responses to HIV and AIDS World Bank (2013); UNAIDS Stronger Together: From health and community systems to systems for health (2016); UNAIDS and STOP AIDS Alliance Communities Deliver: The critical role of communities in reaching global targets to end the AIDS epidemic (2015)

<sup>4</sup> For example, Yehia B and Frank I. Battling AIDS in America: an evaluation of the National HIV/AIDS Strategy, American Journal of Public Health Sep2011, Vol. 101 Issue 9, pe4; Government of Canada Report to the Secretary General of the United Nations on the United Nations General Assembly Special Session on HIV/AIDS Declaration of Commitment on HIV/AIDS 2009, Ottawa; UNODC/WHO EURO 2011 Mid-term evaluation of the Estonian national HIV/AIDS strategy 2006 – 2015 and national drug prevention strategy 2012, Copenhagen.

<sup>5</sup> See for example, US White House Office of National AIDS Policy National HIV/AIDS Strategy for the United States Washington DC. July 2010; Australian Government Department of Health and Ageing Sixth National HIV Strategy 2010-2013 Canberra 2010.

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systems can be ambivalent or even hostile to civil society engagement. Unfortunately due to disease resurgence and changes in GNI, some of these countries will become eligible again, and in cases where the government has not sustained services, the entire civil society response will need to be rebuilt—such is the case in Serbia.

Therefore, to support sustainability of its investments in civil society in transitioning or non-eligible countries, the Global Fund and other donor partners, should consider establishing a *Bridge Fund mechanism* designed to support civil society in order to:

- Protect or re-establish services where they have lapsed, especially in the area of harm reduction or peer-led service outreach programs for key and vulnerable populations: low threshold services that focus on controlling disease resurgence and building the case for social contracting and other modalities of government support for civil society led services.
- Advocate for the establishment of legal and regulatory provisions for domestic financing of HIV, TB, and/or malaria services.
- Advocate for price control for medicines through pooled procurement mechanisms and TRIPS flexibilities.
- Advocate for human rights and gender equality programs as part of national disease and health programs.

Funding for this Bridge Fund could come from the Global Fund's catalytic funding stream, portfolio optimization, or unutilized funds, and/or from Private Foundations, the Private Sector and/or interested bilateral donors.

### **Recommendation 9:**

The Global Fund Secretariat should review all these financing mechanisms and identify appropriate ways that it can contribute to their development and support their roll-out where they will make a significant contribution towards successful transitions and sustainability of progress against the three diseases.

## **ELIGIBILITY**

The current Eligibility policy was agreed in 2013 and most recently amended at the 35<sup>th</sup> Board meeting, where the eligibility calculations were expanded to be determined over a three-year average to allow countries that become ineligible for funding in one year to be potentially become eligible again. The criteria used to assess eligibility (disease burden and GNI) have not changed for at least 10 years.

### ***Eligibility criteria***

There was interest at the March 2017 Strategy Committee meeting in reviewing the criteria for assessing eligibility once again. The GF Secretariat made clear that it would support such a discussion, but that any changes would not take effect until the new eligibility assessments were made in 2020. New criteria would therefore need to be finalised by 2018. For the discussion to be successful it must first start by reaching consensus on what the GF's vision of success looks like—otherwise we will have continually competing visions for what eligibility is trying to achieve.

**Recommendation 10:**

The Secretariat should outline the process between now and 2018 for reviewing and amending the Eligibility Policy to ensure it remains 'fit for purpose'. The review should explore ways to incorporate the EAI findings and recommendations in order for the Global Fund to transition from an income classification-based model to a model that focuses more on a public health approach and equity in access to health services (leave no one behind). Any review should also be started with a discussion about what the 'purpose' is.

***Measures of disease burden***

At the last Strategy Committee, it was agreed to change the measures of disease burden from TB case finding (notification) to TB incidence.

**Recommendation 11:**

The Secretariat should report to the strategy committee on what the impact of changing TB metrics will be on the eligibility of countries – which, if any, countries will become ineligible or eligible again as a result of the change.

***Expanding the scale for measuring level of disease burden for key populations***

At the March 2017 Strategy Committee meeting, it was also suggested that the disease burden measure for key populations to be extended to include the levels of 'severe' and 'extreme', matching the scale for national disease burden. For those G20 countries with data sets that confirm that key populations are at severe or extreme levels of disease burden, it should be considered whether they could become eligible for Global Fund grants. However, it must also be a priority to establish reliable statistics for KP disease burden in countries that do not have data sets currently.

**Recommendation 12:**

The Secretariat should report back to the Strategy Committee whether any G20 countries, irrespective of their World Bank income classification, do have valid data sets on Key Populations that indicate they are at severe or extreme levels of disease burden and, if so, indicate whether they could be eligible for Global Fund grants.

***The NGO Rule and mechanisms for funding civil society***

There is a clear need for flexibilities in GF policy along the lines of the NGO rule that will provide an avenue for supporting civil society post-transition to hold their governments to account and to provide ongoing Key Population services where governments are unwilling to provide such services and social contracting mechanisms are not in place or functioning for this purpose. The Sustainability Bridge Fund described earlier is one such possible mechanism but there may be others.

**Recommendation 13:**

An evaluation is needed of the NGO rule to identify positive and negative lessons from the mechanism. This could then inform the development of a mechanism to support service delivery across all three diseases by non-state service providers in transition countries at least until an effective government contract mechanism is established.

***The role of the Global Fund in countries that have never been eligible***

There is an active discussion whether there should be additional flexibilities within the Global Fund's policies to support countries that have never been eligible for a Global Fund grant but who need emergency support to access affordable commodities or to address crises in relation to access to

HIV, TB or Malaria services. Venezuela is such a case currently and a separate proposal is being brought to the Board table addressing this issue.

### **PROCUREMENT AND SUPPLY CHAIN:**

#### *Procurement:*

Global Fund data identifies that approximately half of all Global Fund financing is currently used to finance commodities [GF/SC03/04]. There are many challenges facing countries transitioning from Global Fund grants in relation to procuring commodities, including:

- Once transitioned, countries not only face diminishing resources of international aid but face having to pay higher prices for commodities (no longer being able to procure commodities at the same price as those previously obtained using Global Fund support).
- Rising prices of, particularly, newer ARVs and new and existing treatment for MDR TB and Hepatitis C due to increased patenting, which excludes or limits the availability of low-cost generic production and supply, or the ability to procure improved formulations.
- The withdrawal of other bilateral donor funding (including from the Global Fund)
- Continuous pressure through free trade agreement and diplomatic pressure to expand intellectual property protection beyond obligations under the TRIPS Agreement and exclusion from voluntary licenses which can facilitate competition for medicines for certain medicines across the three diseases.
- Beyond intellectual property barriers, companies marketing the branded version of the medicine are also foregoing registration in most low and middle-income countries, thereby significantly delaying access even to branded versions of medicines.

#### *Supply chain:*

Because the Global Fund has been using higher standards for supply chain management and for commodities purchased under the Global Fund grant – the system that is developed is often entirely different than the national chain supply policies. It is currently unclear what will happen when to these supply chains when the Global Fund transitions out.

#### **Recommendation 14:**

- The Secretariat and the Board should identify to what extent Global Fund policies ensure sufficient risk assessments are carried out and support is provided for countries to access affordable commodities before and after transition. Such analysis could provide valuable insights with which the Board can strengthen how transitioning and transitioned countries sustain the procurement of commodities, but it must focus on all procurement-related support provided by the Global Fund (e.g. technical support regarding legislation and processes to encourage registration and generic competition) and not focused solely on Wambo.
- The Secretariat should communicate clearly to CCMs and national governments (through country visits and formal communications) that addressing procurement challenges are a critical aspect of transition readiness and access to sustainable prices are a key concern for countries in or approaching transition.
- Wambo has potential to be highly beneficial for transitioning countries (in terms of transparency and accountability, and increased cost-effectiveness of procurement systems), but the specific benefits and risks of using Wambo for MICs and transitioning or transitioned countries should be properly evaluated in Pilot 1b and contribute to a broader assessment of procurement.



**Recommendations** (continued)

- The Global Fund should retain and enhance support to alternative methods to help drive down drug prices. These should include: the use of TRIPS flexibilities; increased engagement to assure wider voluntary licenses with a broader geographic scope; more flexibility and measures to strengthen prequalification and collaborative registration through WHO; and improving registration at the national level through engagement with companies, international institutions and most importantly, the relevant governments.
- In particular, GF should work with transitioning countries and companies to convert temporary registration waivers for medicines into stable registration status before exit, and to ensure that countries will remain eligible to voluntary licensing schemes after exit.
- The Global Fund should take steps to ensure that governments adhere to strict quality assurance measures that ensure new and old medicines purchased for treatment programs meets WHO or stringent regulatory authority quality assurance requirements.
- The Global Fund should explore a broader range of activities providing support to strengthen procurement systems as a catalytic priority, financed using recovered funding from country allocations, supported through portfolio optimisation and/ or as a special initiative.
- Finally, the Global Fund, working with other actors, should provide mitigation strategies, in response to barriers preventing countries from securing adequate supply and affordable prices of quality commodities, which may hinder scale up of treatment programs. This is particularly relevant to countries where appropriate time to prepare for gradual transition is not provided.