

## **Twenty Fourth Board Meeting Chair and Vice Chair Summary Report**

### **Introduction**

The Global Fund held a special Board meeting on 26 September 2011, in Geneva, to discuss the report of the High Level Panel<sup>1</sup>, which was released to Board Members on 19 September 2011.

### **Background**

In early 2011, the Global Fund came under significant adverse press scrutiny arising from information set out in a progress report prepared by the Global Fund's Office of Inspector General (OIG) and discussed at the Global Fund's Twenty-Second Board Meeting in December 2010. The underlying country reports were published on the Global Fund's public website in January 2011. The adverse press coverage led a number of donors to question the ability of the Global Fund to safeguard their investments.

In February 2011, the Global Fund's Board Commissioned a High Level Independent Panel (Panel) to review its fiduciary controls and oversight mechanisms. The Report was given to the Board and placed on the Global Fund's public website on 19<sup>th</sup> September. The Board invited the Panel to come to Geneva to discuss their report and to present their recommendations in detail.

The Chair and the Vice-Chair of the Board provide this short report to summarize the meeting and the actions adopted by the Board as a first response to the Report's findings and recommendations.

### **High Level Panel member participation**

The following distinguished members of the seven-member Panel attended the Board meeting:

#### The Panel's Co-Chairs

- The Honorable Michael Leavitt, former US Secretary of Health and Human Services and former Governor of Utah
- His Excellency Festus Mogae, former President of Botswana

#### Together with:

- Mr Gabriel Jaramillo, Chairman Emeritus of the Board of Sovereign Bank in the US and Special Advisor to the Office of the Special Envoy for Malaria;
- The Honorable Barry O'Keefe, former Justice for the Supreme Court of New South Wales, Australia; and

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<sup>1</sup> "Turning the Page from Emergency to Sustainability, the Final Report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund to Fight AIDS, Tuberculosis and Malaria."

- Mr Claude Rubinowicz, Chief Executive of the Agency for Public Intangibles of France.

### **Presentation by the Panel of its Report**

The Panel expressed both their gratitude for the opportunity to lead this important review and the full gravity of the responsibility they felt as they undertook their work.

The Panel recognized that the Global Fund was formed at a time when great emergency prevailed in the epidemics of AIDS, tuberculosis and malaria. The Panel remarked that the Global Fund was born not just of noble purpose, but was assembled to save lives using a new and innovative multilateral approach focused on principles of country ownership and performance. As the Panel moved from country to country across the globe in its review, it found evidence that the Global Fund had made a significant difference in the fight against the epidemics. The Panel also observed that the reports of the Global Fund's Office of the Inspector General have become crucial to the Global Fund's approach to its grants, and that outside stakeholders rely on them to assess the performance of the institution.

Despite the tremendous gains made to date, the Panel noted the substantial changes in the world of global health since the creation of the Global Fund ten years ago. The Co-Chairs remarked, "We are meeting in a context of three global forces coming together: innovation, austerity and accountability. The Global Fund has never been needed more, but it has also never been questioned as much as it has this year." The Panel reiterated as a key message that this meeting represented a catalytic point in time for the institution, and that the Report's title, *Turning the Page from Emergency to Sustainability*, summarizes the fundamental message of their Report – that the most critical priority for the Global Fund is its successful transition from an emergency response to a sustainable response.

The Panel presented a comprehensive set of recommendations that begins with the Global Fund applying a 'doctrine of risk' approach to its country interactions. Rather than taking away the ability of the Global Fund to provide financing to countries in the most complex of circumstances, a 'doctrine of risk' approach would reinforce that ability through a risk-aware framework for action. The Panel noted the importance of redefining 'country ownership' as a critical element of the new doctrine of risk, to be applied across the entire portfolio of grants. The Panel recommended that the Board streamline its application processes, and empower senior and middle management at the Secretariat by delegating authority to those most informed about country settings to be making grant management decisions within more appropriate decision-making parameters. The Panel further elaborated that devolving this authority will in turn allow the Board to focus on priorities of risk, strategy and more effective performance management of the Board's two direct reports – the Executive Director and the Inspector General.

The Panel emphasized that ensuring that the Board was focused on the right issues formed the foundation for the recommended Board governance reforms. They stated unequivocally that a failure of the Board to reflect on its governance model and take urgent action could undermine the successful implementation of all other Panel recommendations.

The Panel also recommended a shift in focus when reporting results. The Panel identified the need for emphasis to be on outcomes and health impact, rather than on measuring inputs. They also emphasized a need to focus performance evaluation on value and quality indicators rather than on quantity and volume.

The Panel concluded its presentation by stating that it would be essential to implement all six categories of recommendations for the Global Fund to transition from an emergency to a sustainable response.

### **High Level Comments from the Executive Director**

In his address to the Board, the Executive Director strongly welcomed the Panel's Report, committing to implement decisions taken by the Board as the highest corporate priority for the Secretariat moving forward. The Executive Director noted that reforms are already underway within the Secretariat to change operational practices and the business model as a result of decisions taken by the Board in May 2011 in response to recommendations of the Comprehensive Reform Working Group. The Executive Director appreciated independent validation of these measures, but also acknowledged that the Panel's recommendations move the Global Fund far beyond these changes. He also emphasized that considerable movement in the way the Global Fund does business would come through implementation of the 2012-2016 Strategy that the Board will be asked to approve in November 2011, and that issues in the Panel's report that impact the strategy development process would be incorporated into that work.

The Executive Director also directly addressed the Report's findings that his relationship with the Inspector General was not optimal, and that there must be a turning of the page. The Executive Director fully accepted his responsibility to ensure an improved relationship with the Inspector General, and that there was a common desire on the part of both to achieve significant progress in this area in a matter of weeks. In closing, the Executive Director noted the element of urgency in moving the Global Fund beyond reform to an agenda for transformation.

### **High Level Comments from the Inspector General**

The Inspector General also strongly welcomed the Panel's report, with particular focus on the recommendations that are specifically directed towards the OIG. The Inspector General expressed his intention to act swiftly on the recommendations, noting that in the time that the Panel had been working, a number of reforms had already started within the OIG that were fully in line with the Report's findings and suggested actions. The Inspector General in particular welcomed the recommendation for the establishment of a new Audit Committee of the Board to oversee the work of the OIG. In closing, the Inspector General also committed to take swift action to build appropriate relationships within the Secretariat as well as with partners that are subject to the OIG's work, while at the same time continuing to provide thorough oversight and requisite levels of assurance to the Board.

### **Board Discussion**

For the balance of the morning, the Board and Panel members engaged in a question and answer session. Board members used this time to raise questions on the underlying rationale for selected recommendations, further elaborate on key findings, or explore whether particular scenarios had been considered during the data collection and Report preparation period. The Panel members described the lengthy process of internal debate they carried out in order to provide the right recommendations for the Global Fund.

The question and answer session between the Board and the Panel allowed the Board to more thoroughly consider the Panel's recommendations, discuss in detail some of the key recommendations and decide on a course of action. Panel members were present during the

Board deliberations and were able to provide advice to the Board as it considered adopting the recommendations.

A major area of the Board's discussion involved the Panel's governance recommendations and their level of congruence with the emerging options from the extensive consultations on governance reforms that the Board Chair and Vice-Chair have been leading since early August 2011. Board members noted very clear alignment in the Panel's recommendations on the number of standing committees, a need to streamline committee membership to stimulate more effective decision making and strategic oversight, and the benefits that would flow from the inclusion of a majority of independent members in the proposed new audit committee. There was robust discussion with the Panel on one founding principle that Board members believed should remain unchanged as the Panel's recommendations were taken forward. This was the principle of balanced ownership between voting blocs, including the practice of rotation between the voting blocs for key leadership positions. Discussion on this topic also included recognition that a decision during the meeting to reform the committee framework would be taking the governance reform program forward faster than the Panel had itself recommended, further demonstrating the Board's commitment to act quickly and decisively on the Panel's report. Specific to discussions around the importance of the Global Fund continuing to operate in a partnership environment, there was broad acceptance of ex-officio members continuing to participate in Board and committee deliberations under any revised structure.

The Board also recognition that the context in which the Global Fund continued to operate was one in which many partners emphasize alignment and harmonization in their work, and the avoidance of setting up parallel systems if possible. In this context, the High Level Panel provided clarification to the Board regarding recommendations on procurement of health products, resulting in agreement to give further consideration to these recommendations in the future.

The Board also invited Chairs and Vice-Chairs of its current standing committees to address the Board on areas of committee work in the months ahead that would require significant attention (more or less priority, or the addition of new items) to ensure that decisions of the Board at the end of the meeting were implemented as priority actions.

The Chair summarized the Board's deliberations by highlighting the clear consensus amongst Board constituencies that the Report presents a compelling case for rapid and urgent transformation of the Global Fund. The Board made it clear that there was a need for immediate corrective action and that changes would need to be made at all levels.

## **Decisions from the Meeting**

The Board adopted the Panel's report, acknowledging that there have been weaknesses in fiduciary control and financial oversight. The Board recognized that implementation of the recommendations will require a detailed plan for implementation.

It was agreed that the Board Chair and Vice-Chair, working with the Secretariat and OIG, will develop a single, time-bound and costed Consolidated Transformation Plan. This plan will incorporate into it all other reform work streams currently underway. It will include prioritized action items, deliverables, timelines and clear accountability for each item. This will be presented to the Board by 31 October 2011 and formally adopted at the Twenty-Fifth Board meeting in November 2011.

Immediately however, the Board agreed that the Secretariat and OIG will begin implementing the Panel recommendations regarding reported incidents of fraud and strengthening oversight on more recent rounds of investments. This will include prompt responses by the Board and management to recommendations of the OIG. This will also include actions to improve the relationship between the OIG and the Executive Director including protocols and methods of work between the Secretariat and the OIG.

The Board, Secretariat and OIG will begin immediate implementation of recommendations related to defining a doctrine of risk and managing risk. This includes the development of a risk management framework and categorization of risks to be applied across the portfolio. This will also necessitate redefining the principle of country ownership that results in program financing that is earned through performance while also supporting capacity development where risk remains high.

The Board adopted the Panel's key recommendations on governance, agreeing to replace the four existing standing committees with three new committees: Strategy, Investment and Impact; Finance and Operational Performance; and Audit and Ethics. The Board established a coordinating group to improve the Board's own coordination of its work. The coordinating group will be comprised of the Board Chair and Vice-Chair and committee Chairs and Vice-Chairs, and will work closely with the Executive Director and Inspector General. The Audit and Ethics Committee will include four independent members, including the Chair of the committee. The Terms of Reference for the committees will include the duties recommended by the Panel and will be further developed under the leadership of the Board Chair and Vice-Chair. A key first responsibility of the Coordinating Group will be the tracking of implementation progress of the Consolidated Transformation Plan that is approved in November 2011.

The Secretariat will implement the Panel's recommendations on empowering middle-management decision making including through streamlining Secretariat staff to work more directly on grant management and strengthening the role of the Fund Portfolio Managers. Secretariat staff managing grants will spend considerably more time working in the countries for the grants they manage.

The Board and Secretariat will institute the Panel's recommended changes to the new grant approval process. This will be finalized through the development of the Global Fund's new five year strategy to be endorsed by the Board in November 2011.

The Board adopted the Panel recommendation to measure outcomes and to focus on quality and value rather than quantity. The Board requested a progress report to the Board at its next meeting in November 2011. The Board also made clear its expectation that the Global Fund Secretariat implement these and all other recommendations seeking to avoid any increase in general administrative overheads and to stabilize staffing levels.

### **Board Decision Regarding Round 11**

Prior to the Board meeting, delegates requested additional information from the Secretariat regarding resources available for Round 11. At a Board pre-briefing on 25 September, the Board first learned of a significant change in circumstances surrounding the expected funding envelope for Round 11, Second Wave of National Strategy Applications and the Health Systems Funding Platform. The Board was made aware that the resources available were revised downward to an estimate of not more than US\$ 0.8 billion which may not be available until the fourth quarter of 2013.

Due to these uncertainties, the Board extended the application deadline for Round 11, Second Wave NSAs and Health Systems Funding Platform until at least 1 March 2012. The Board will communicate results of the deliberations regarding these issues no later than 1 December 2011, which may include options for reallocating existing commitments to high-impact interventions to make resources available for new investments.

## Conclusion

The Board concluded its meeting by expressing its thanks for the thorough work of the Panel and reaffirming its commitment to transform the Global Fund through an implementation framework that was prioritized across all aspects of its work. Both the Chair and Vice-Chair noted that the engagement of the Board is a true testament to the gains that the Global Fund has made and to the potential to change for even greater impact.

The Board expects the first status reports on the actions that will begin immediately to be presented to the next Board meeting in November 2011. The Board also agreed to communicate on the importance of these issues and committed to issuing a press release the day after Board decisions were finalized and the meeting concluded.

A full list of the Board decision points adopted at the Twenty-Fourth Board Meeting can be access on the Global Fund web site [here](#).