



Global Fund Board Retreat 2014

Board Retreat Report

BOARD RETREAT REPORT**Purpose:**

1. This document presents the Report of the Global Fund Board Retreat held in Montreux, Switzerland, from 16 to 18 November 2014.

Introduction

1. The Chair and Vice-Chair of the Board (the “Board Leadership”) organized a Board Retreat from 16 to 18 November 2014 (the “Retreat”) to convene Global Fund Board Members and Alternate Board Members for discussions on Strategy Development, Governance Reform, and Ethics and Integrity, in preparation for the associated discussions and decisions to be taken at the Thirty-Second Board Meeting.
2. In the opening session, the Board Chair welcomed participants to the Retreat, outlining the following objectives:
 - a. Enabling open discussions amongst Global Fund Board Members and Alternates to frame and facilitate the deliberations and decisions on the Board Meeting agenda (i.e., Strategy Development, Governance Reform, Ethics and Integrity);
 - b. Identifying current and upcoming strategic issues facing the Global Fund.

Strategy development

3. In the context of preparations for the development of the next Global Fund Strategy for 2017-2021 (the “Strategy”), the Board Retreat represented an opportunity for the Board Leadership, Chair and Vice-Chair of the Strategy, Investment and Impact Committee (the “SIIC”) (the “SIIC Leadership”), and the Secretariat, to discuss with Board Members and Alternates the changing development and global health landscape and its implications for the Global Fund, as well as the key priorities of the next Global Fund Strategy.
4. The Strategy Development session aimed at:
 - a. Discussing the timelines, inputs and proposed Strategy Development process;
 - b. Evaluating and discussing the changing global health and development landscape as well as its implications for the Global Fund;
 - c. Evoking and proposing priorities for the next Strategy; and
 - d. Clarifying any concerns and potential challenges with the new Strategy.
5. The SIIC Leadership set the scene for the discussions, underlining the fast evolving landscape in which the Global Fund has been operating, from the challenging environment of the fight against HIV/AIDS in the 1990s, to the tremendous results in fighting the three epidemics achieved to date. The Chair of the SIIC outlined two principal focus areas for consideration: 1) improving the efficiency and effectiveness of Global Fund impact through existing instruments; and 2) looking at big picture challenges and at the future of the Global Fund’s role in an evolving global health and international development landscape.
6. The SIIC Leadership suggested some issues to consider during the Strategy Development session, notably: the changing landscape of global health, the barriers to progress in challenging environments, the emergence of new players in the global health and international development landscape, the utility of the Global Fund beyond the three diseases, and differentiated approaches to grant management.

Ending the epidemics, fighting the three diseases

7. The Executive Director introduced the issue of balancing the two priorities of ending the epidemics and fighting the three diseases as a key decision the Global Fund has to make to guide its future action. As outlined by the Executive Director, as countries succeed the total number of infections significantly decreases, which could have an impact on allocations that are driven by disease burden and impact the ability to continue to finance the need. Consequently, however, if allocations are driven by disease burden and ability to finance, there is not as much room to focus on ending the epidemics. The discussions focused on the goal of “bending the curve” of the three epidemics by using existing and new tools and developing

comprehensive approaches for the three diseases where relevant. The example of joint TB-HIV concept notes was cited as an example of the success of such approaches. Of particular note, participants recognized the importance of sufficient and good quality data as a basis to elaborate sound policies and strategies.

Domestic financing and sustainability

8. As the number of countries moving from low income to middle and upper middle income status rises, it is increasingly important to ensure sustainable approaches and effective mechanisms for transitioning out of Global Fund support. In addition to the importance of ensuring that domestic financing will also be directed towards marginalized populations – especially after the departure of the Global Fund from these countries – delegates emphasized that it is also critical to promote country ownership and to coordinate Global Fund programs with national strategies.

Differentiated approach

9. The need for a differentiated approach to grant management has been identified through the implementation of the funding model. Countries receiving a limited amount of funding from the Global Fund could benefit from a lighter grant-making and disbursement process, which would enable more efficient allocation of Global Fund human resources towards countries receiving higher levels of Global Fund funding. The Global Fund needs to take into consideration country and regional contexts and work through flexible systems which can provide adjusted responses, notably in challenging environments (e.g., conflict and post-conflict situations, internally displaced persons, etc.). The variety of results and capacities among middle-income countries and regions in fighting the three diseases when focusing on vulnerable populations may call for a diversified and differentiated approach in raising funds and investing.

10. Participants noted that the Global Fund will need to define a differentiated approach to grant management, the development of which will require careful consideration of various aspects mentioned above (e.g., size of grant, country and regional context, challenging operating environments and addressing vulnerable populations).

Health and Community Systems Strengthening

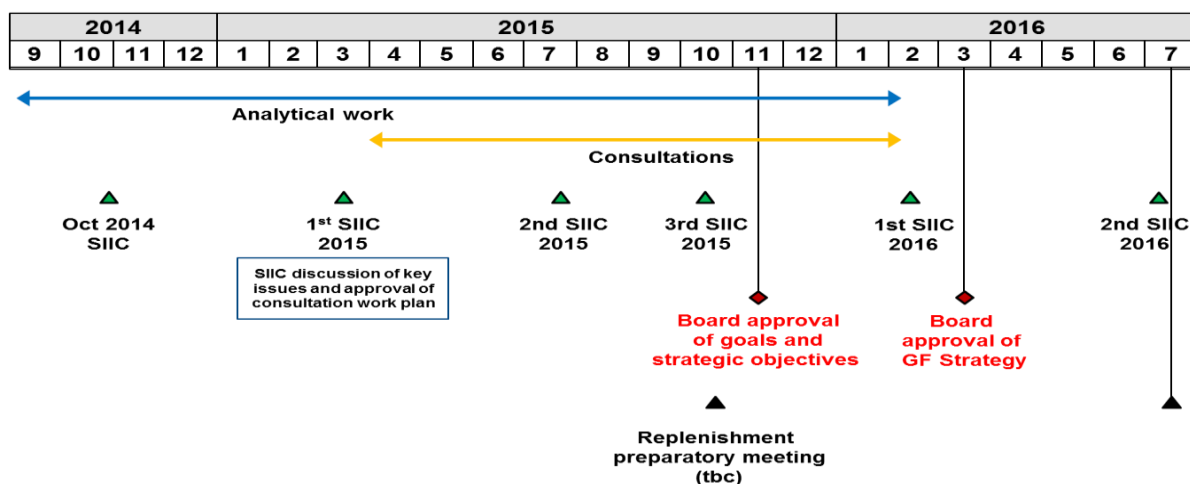
11. The participants agreed on the importance of health and community systems strengthening, with comments focusing in particular on the lessons that can be learned in the context of the current Ebola crisis. Provision of support for Health and Community Systems Strengthening will require close coordination with Global Fund partners.

Political Will and Human Rights

12. Delegates questioned the efficacy of the tools and mechanisms that influence the implementation of human rights policies and principles in the countries. Various views were expressed calling for the Global Fund to play a more prominent role in human rights advocacy, for example, by using the leverage of its investments or through direct outreach to governments. In addition, delegates commented on the need for strengthened coordination with some human rights advocate partners of the Global Fund. To ensure effective human rights programs, participants underlined the need to address legal barriers, particularly towards vulnerable populations, and to implement programs of prevention around human rights violations (e.g., advocacy, training, etc.).

Strategy Development Process and timeline

13. The current timeline schedules the approval of the goals and strategic objectives of the Strategy by the Board in November 2015 and the Board approval of the Strategy in March 2016. The SIIC will discuss and approve the strategy development consultation plan at its first meeting in 2015 which will initiate consultations that will take place over the rest of 2015.



14. Participants indicated their support for a Strategy development process firmly based on participation and consultations, and called for the Board to be invited to provide inputs prior to the Board's approval of the strategic objectives and of the final Strategy. The proposed timeline will support the Global Fund's Fifth Replenishment, with the timeline for finalization of the Strategy scheduled to occur before the Fifth Replenishment Conference.

15. The development of the next Strategy will build on different streams of work that includes: lessons learned through the implementation of the current strategy and the roll out of the funding model, the findings of the Strategic Review 2015, the work of the Development Continuum working group and the Equitable Access Initiative, as well as inclusive multi-stakeholder consultations such as the Partnership Forum under the modified format and purpose discussed during the Retreat.

Update on the Development Continuum Working Group

16. The Development Continuum Working Group is composed of SIIC members, representatives of the World Bank, UNDP, GAVI, WHO, civil society organizations, private sector/private foundations, technical experts, academics, think tanks, country representatives and Secretariat staff. The working group aims at: establishing a shared set of key facts about the different stages of development (i.e., development continuum); assessing the implications for the Global Fund; providing analysis and recommendations to Secretariat as it compiles input for consideration by the SIIC; assessing ways to increase Global Fund's impact on HIV/AIDS, TB and malaria across the development continuum; and preparing the intellectual groundwork for post-2016 Global Fund Strategy. To fulfill its objectives, the working group has established a set of subgroups, focused on the questions listed below:

- a. Sustainability through financing: How should the Global Fund contribute to increased sustainability of our investments and ultimately support countries as they transition from Global Fund support?
- b. Non-financial dimensions of sustainability: What tools does the Global Fund need to best support programmatic and institutional sustainability? What approaches are needed with respect to capacity building and continued management and policy support?

- c. Challenging operating environments: What instruments, tools and strategies does the Global Fund need in challenging operating environments?
 - d. Communities, gender and political will: How should the Global Fund support key populations left behind in the progress against HIV/AIDS, TB and malaria and engage countries where political will or financial support may be lacking?
17. The Development Continuum Working Group will support the Global Fund in addressing some of the current challenges that should be factored in the 2017-2021 Strategy:
- a. Health needs and burden of disease;
 - b. Policy environment and political will;
 - c. Institutional capacity and level of risks;
 - d. Ability to pay based on present and future projections; and
 - e. Relative role and financial size of the Global Fund.
18. Several modalities were discussed for the development of the 2017-2021 Strategy, with participants considering the respective merits of either a bottom-up or a top-down approach. The first approach would require analysis of granular data, gaps and opportunities around the evolution and current situation of the three epidemics. The second approach would build upon the lessons learned from the last Strategy (based on the TERG's Strategic Review 2015) and identify which objectives remain relevant. These two approaches could both feed the development of the 2017-2021 Strategy.

Conclusion

19. The main priorities for the 2017-2021 Strategy were considered by all participants. Even though no agreement was expected to be reached at this early stage, a set of core principles emerged as critical for the development and content of the next Global Fund Strategy:
- a. Ending the epidemics and fighting the three diseases;
 - b. Ensuring sustainability notably through effective and country-owned domestic financing;
 - c. Introducing a differentiated approach to respond to different country and regional contexts;
 - d. Strengthening health and community systems;
 - e. Promotion of human rights programs; and
 - f. Ensuring a participative and inclusive process for the development of the Strategy.

Governance

20. At the Thirty-First Board Meeting in March 2014, the Board Leadership proposed the creation of an Ad Hoc Working Group on Governance (the "WGG") which was launched in May 2014. The Working Group developed a set of recommendations for enhancing the governance of the Global Fund, the Governance Plan for Impact, drawing on the findings of the OIG Governance Advisory Review. The Working Group indicated that good governance is a requirement for an impactful Global Fund.

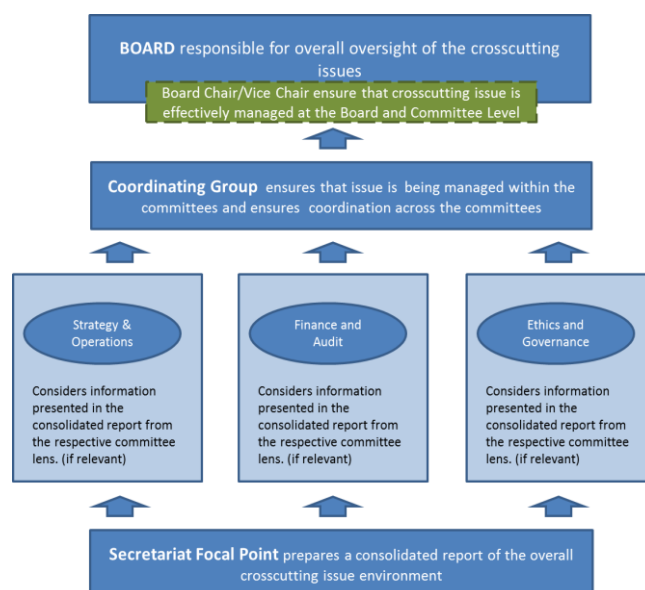
Concept of governance

21. Didier Cossin, an expert on governance, and Director of International Institute for Management Development ("IMD") Lausanne, introduced the concept of governance and explained how boards have become a key competitive advantage for organizations. Effective governance is often challenged by the failures of a board, which tend to happen around the strategy, CEO succession, risk and integrity. He identified that successful governance requires a culture focused on good governance, quality people as well as a solid information architecture, a sound organizational structure and well-developed processes.

Governance functions

Proposed committee structure

22. The Working Group proposed a new enhanced governance structure with modified responsibilities for the Coordinating Group to increase its focus on coordination and collaboration across committees. Furthermore, it recommended a revised committee structure composed of the: i) Strategy and Operations Committee; ii) Audit and Finance Committee; and iii) Ethics and Governance Committee. The proposal also included a model for the effective management of cross-cutting issues, including risk management and key performance indicators (“KPIs”).



Model for management of cross-cutting issues

23. Recognizing that an immediate transition to the enhanced structure would disrupt the key activities currently being undertaken in the present committees and that it could be beneficial to have additional review of the current committees before the recommended enhanced structure becomes operational, the WGG proposed the creation of a Transitional Governance Committee to oversee the transition to the enhanced structure and execution of other WGG recommendations that the Board may adopt. The Transitional Governance Committee’s mandate would last until the end of the present committee terms in March 2016 under terms of reference with: i) oversight of key governance functions identified as missing or not being performed in the current structure; ii) the development and oversight of the process of performance assessments of the Board and committees, including leadership; iii) the finalization of the enhanced governance structure; and iv) the development of key components of a comprehensive governance structure as needed.

24. The WGG clarified that while the full transition to the enhanced structure would take 18 months, immediate actions could be taken to improve governance with many of the recommendations to be implemented immediately following the approval of the Board. This combination of immediate and longer-term measures will ensure that sufficient time is given to the finalization of the enhanced structure to improve the efficiency and effectiveness of governance structures and functions.

Board and Committee composition and functioning

Voting

25. Based on the input on the voting structure received during the consultations held by the Working Group prior to the finalization of its report, a set of options regarding the voting structure was proposed for discussions at the Board Retreat:

- a. to require a majority vote across the Board for all decisions (e.g., 2/3, 3/4);
- b. to require at least a simple majority per voting bloc for all decisions; and
- c. to require at least a 2/3 majority vote per voting bloc for all decisions.

26. While no consensus emerged around the different options, a conversation was initiated regarding the future composition of the Board and its impact on the voting structure. Several participants indicated their support to move away from the bloc structure which was deemed outdated. While the need for a united Board with a consensus based decision-making process was underlined, the need to fully consider the consequences of a change to current decision-making was also identified. The WGG determined that it was still too early in the conversation to make a recommendation on a suggested voting structure and would not include a recommendation for change in its final report to the Board. It was encouraged that the conversation continue with a firm recommendation being put forward in the future.

Board leadership – Terms of Reference

27. The Working Group proposed a set of recommendations which were discussed at length during the Board Retreat: the straight division of the oversight of the six core Board functions between the Board Chair and Vice-Chair; and a three-year term instead of two years in order to align the mandate of the Board Leadership with the replenishment cycle. Some consensus emerged among the participants against a division of the six core Board functions between the Board Chair and Vice-Chair. Preference was expressed for an early conversation between the Board Leadership following their election, where the method and areas of oversight would be agreed between them, based on interest and expertise. Additionally, there appeared to be interest in maintaining the current two-year terms of the Chair and Vice-Chair of the Board.

Legal Status issues

28. In accordance with the Working Group recommendation, the participants agreed with the importance of privileges and immunities (“P&I”) and the actions currently being taken by the Finance, Operations and Performance Committee, and the Audit and Ethics Committee. There was also support for the identification and monitoring of an external compliance framework to be included in the governance functions covered in the enhanced structure.

Institutional memory management and transparency

29. For Board meetings, it was recommended that a summary report recording Board voting should be made public while a record of the votes at committee level should be made available internally only. While there was support for the live streaming of Board meetings, including recognition that doing so could help reduce the cost of Board meetings if resulting in a decrease to the number of direct attendees at a Board meeting. Concerns were raised as to whether broad live streaming would deter frank and open discussions. As such, further consideration was requested. In order to increase the quality of the decision-making process, the Working Group proposed that all the relevant previous decisions should be included as background for each new decision point submitted for approval of the board.

Partnership Forum

30. The Partnership Forum remains an important element of the Global Fund governance model. The scope of the Partnership Forum should be more closely linked to the development of the Strategy under the oversight of the SIIC. Its format should be flexible and adaptable to the needs of the organization. For 2015, the option of holding several regional meetings was suggested.

31. The participants warmly thanked the Working Group for all the work accomplished and indicated their support for an improved governance structure through the proposed recommendations.

Conclusion

32. The governance session underlined general support for the recommendations proposed while identifying areas to be further expanded prior to being presented to the Board for approval. The WGG agreed to revise the Governance Plan for Impact based on the feedback received and present the revised version at the upcoming Thirty-Second Board Meeting.

Ethics and Integrity

33. The Board Chair and Vice-Chair have committed to the development of a comprehensive ethics and integrity framework, fully embedded into all aspects of Global Fund operations, as a core pillar of their term. Accordingly, at the November 2013 Board Meeting, the Board endorsed a suite of recommendations presented by the Audit and Ethics Committee (AEC) and the Ethics Official, their goal being to develop such a system. In order to develop specific and practical proposals based on the Board's endorsements, the Board Leadership launched the Ethics and Integrity Initiative, consisting of two stages: a First Stage of designing core pillars of a holistic ethics and integrity framework, namely establishment of policy principles; and a Second Stage involving the embedding of ethics into Global Fund operations, namely establishment of organizational structures and systems. To oversee this initiative, the Board Leadership established an Ethics Steering Committee (ESC). The ESC presented three key elements of Phase I for discussion at the Retreat: the Ethics and Integrity Framework, the Code of Ethical Conduct for Governance Officials and the Proposal for an Ethics Office.

The Concept of Ethics and Integrity

34. Diane de Saint Victor, Non-Executive Director at Barclays, and General Counsel and Company Secretary at ABB Limited, introduced the increased importance in today's world of ethics and integrity. Firms and organizations have moved from a legalistic approach (i.e., sole compliance to the law) to the expectations and requirements of ethical and integrity behaviors. As the Global Fund is an international organization acting towards public good and operating on public funding, expectations around ethics and moral behaviors are particularly high. Looking at the specific status of the Global Fund, Diane de Saint Victor suggested some specific observations for the consideration of the participants:

- a. Tone at the very top/it starts with me/don't look the other way;
- b. Far reaching change in culture and processes (people first/processes second);
- c. Making ethics a bedrock of the institution's global culture while building on cultural differences;
- d. Substance over form;
- e. The risk of over-engineering (even though well-intended);
- f. It is a journey and often on a bumpy road (be ready for ups and downs);
- g. Ethics and integrity as a "liberating rigor" element (an ABB CEO concept) a mix of discipline and engagement; and

- h. An institution vs. a corporation (similarities and differences/is it that different actually?).

The Ethics and Integrity Initiative

35. The Ethics and Integrity Initiative entails two major stages: (i) a First Stage with the purpose of designing an ethics and integrity policy framework for presentation to the Board; and (ii) a Second Stage of embedding ethics into Global Fund operations, including establishment of anti-corruption and compliance systems.

36. The Chair of the Ethics Steering Committee presented the process and main achievements of the first phase of the initiative:

- a. an Ethics and Integrity Framework which is a high level policy that addresses broad range of stakeholders (e.g., governance officials, Secretariat, suppliers, recipients, CCMs, etc.) and articulates core ethics and values (e.g., integrity, duty of care, accountability, dignity and respect) from which all ethics-related policies could flow;
- b. The Code of Ethical Conduct for Governance Officials to provide guidance at the highest level of the Global Fund's governance structure which would visibly strengthen the organization's ethical culture; and
- c. The establishment of a dedicated Ethics function whose core mandate would be to provide assurance to the Board, through the AEC, on the extent to which the Global Fund has fully and effectively implemented its ethics and integrity-related policies, codes and requirements.

Duty of care and acting in the Best Interest of the Global Fund

37. A vibrant discussion was held around the definition and implementation of "duty of care" and the "best interest of the Global Fund". Participants spoke of the difficulty in balancing the Global Fund's best interest and the interests of their respective constituencies/countries/organizations. The lack of a clear definition of the Global Fund's interest adds additional challenges. While the proposed Code of Conduct aimed to provide some guidance, the need for further consultation on these concepts was identified to ensure that any concepts adopted address the unique nature of the Global Fund's multi-stakeholder partnership model.

38. Consensus arose on the fact that conflicts of interest are inherent in the Global Fund structure, therefore the related ethical policies and the Ethics function should focus on the effective management of these conflicts rather than their impossible elimination. It is important to have a realistic approach towards the management of conflicts of interests that takes into consideration the multiple public- and private-sector affiliations reflected on the Board. Consequently, modifications to the language of the original proposal regarding duty of care and conflict of interest would be appropriate.

Creation of an independent ethics function

39. The Board received a presentation outlining the following functions of a dedicated ethics function to ensure appropriate support and translation of the ethics initiative into practice: (i) provide assurance; (ii) support implementation of the ethics and integrity policies; (iii) conduct preliminary investigations around conflict of interests; and (iv) provide advice and support. The suggested reporting line of the ethics function would be to the Board going through the Audit and Ethics Committee. The resources to be allocated for the function would be assessed and decided upon the second phase of the ethics initiative.

Conclusion

40. The discussions around the Ethics and Integrity Initiative at the Board Retreat indicated the relevance of having a framework to establish principles around ethics and integrity in accordance with best practices in similar organizations. There was general acknowledgement of the need to establish an ethics function. However, additional work would be required on the structure of such function. Further consultation and discussion appeared necessary with respect to the development of a code of conduct for governance officials.

Conclusion

41. The discussions of the Board Retreat provided valuable input to inform the upcoming Strategy Development period. Feedback received during the retreat was taken into consideration and contributed to refining the proposals for Governance Reform and Ethics and Integrity being presented at the subsequent Thirty-Second Board Meeting. The Board Retreat enabled open and frank discussions on strategy, governance and ethics to further facilitate well-informed discussions and decisions at the Thirty-Second Board Meeting.