



Thirty-Second Board Meeting

**Governance Plan for Impact –
Ad Hoc Working Group on
Governance Report to the
Board – Revision 2**

GF/32/08 - Revision 2: Summary of Modifications

This document identifies the changes made in Revision 2 following the discussions prior to the Thirty-Second Board Meeting held 20-21 November 2014 in Montreux, Switzerland.

| Section | sub-section | Page and section number | Description of change |
|--|--|--------------------------------|---|
| Executive Summary | Governance Functions | p. 5 – 7 ii.2 | Inserted “the process of” |
| Executive Summary | Governance Functions | p. 5 – 7 iv | Deleted “The Board move to three-year Board leadership terms” |
| Background | n/a | p. 8 - 2.4 | Deleted “attached as an accompanying document” |
| Governance Functions | Transitioning to the enhanced governance structure | p. 15 – 5.19 | Changed “four” to “five” |
| Governance Functions | Transitioning to the enhanced governance structure | p. 16 – 5.22 | Deleted “as well as corresponding changes to the By-laws and Operating Procedures” |
| Governance Functions | Board Leadership terms | p. 16 – 5.27 & 5.28 | Section removed as no recommendation made |
| Decision Point | n/a | p. 30 1b | Inserted “Revision 2” |
| Decision Point | n/a | p. 30 2c | Deleted “and related amendments to the By-laws and Operating Procedures of the Board and Committees” and “and terms of office, also outlined in Annex 5 to the Governance Plan” |
| Annex 1 – Roadmap of recommendations and timeline for implementation | Improved Governance Functions | p. 32 5.17-5.25 | Inserted “the process of” |
| Annex 1 – Roadmap of recommendations and timeline for implementation | Improved Governance Functions | p. 33 5.28-5.29 | Section removed as no recommendation made |
| Annex 2 – Terms of Reference for Transitional Governance Committee | Mandate and Scope | p. 37 6 II | Inserted “the process of” and deleted “of” |
| Annex 2 – Terms of Reference for Transitional Governance Committee | Performance Assessments | p. 38 | Replaced “on” with “of” |
| Annex 2 – Terms of Reference for Transitional Governance Committee | Membership | p.40 | Inserted “Be comprise of” |
| Annex 8 - List of Consultations | Hristijan Jankuloski | p.52 | Position description corrected |
| Annex 8 - List of Consultations | Ibu Naf | p. 52 | Changed to “Nafsiah Mboi” |

**THE GLOBAL FUND GOVERNANCE PLAN FOR IMPACT –
AD-HOC WORKING GROUP ON GOVERNANCE REPORT TO THE BOARD**

Purpose:

1. The following Governance Plan for Impact sets out the findings and recommendations of the Ad Hoc Working Group on Governance to the Global Fund Board to further improve its systems and performance in order to achieve a world free of the burden of HIV/AIDS, tuberculosis and malaria, with better health for all.

EXECUTIVE SUMMARY - THE GLOBAL FUND GOVERNANCE PLAN FOR IMPACT

- 1 The Global Fund invests for impact in order to achieve a world free of the burden of HIV/AIDS, Tuberculosis and Malaria, with better health for all. In order to be successful the Fund needs a strong governance system.
- 2 At the Thirty-First Board Meeting in March 2014, the Board leadership introduced a proposal for the establishment of an Ad-Hoc Working Group on Governance (WGG) (GF/B31/18) “to identify and recommend for Board consideration possible changes in the Global Fund governance system with the intention of improving efficiency, effectiveness, unity and equity in conduct and management of the affairs of the Global Fund Board and its committees, in line with the mission, needs and work of the Global Fund.”¹
- 3 Following the March 2014 Board Meeting, the WGG members were nominated through open and transparent procedures set by the donors and implementers for their respective groups. Membership eligibility included current or former Board members, Alternates, focal points or committee members. The WGG comprises eight members, three designated by implementers, three by donors, the Chief of Staff of the Secretariat and the Inspector General.
- 4 The WGG used the findings of the Office of Inspector General’s Governance Advisory Review (OIG Review), as well as the recommendations of the Comprehensive Reform Working Group (CRWG) and the High-Level Review Panel (HLP), as its main starting point to inform its scope and initial analysis. While all six core functions of the Global Fund Board were included, the WGG focused its effort on the three core areas identified by the OIG Review as needing particular attention: Governance Oversight, Risk Management and Assessment of Organizational Performance. The scope of the WGG’s work was later expanded to include a request received from the Donor Bloc to review processes around the addition of new Board Constituency members.
- 5 As a result of a 3-phase consultative process, the WGG is presenting its Governance Plan for Impact (Governance Plan) for Board approval. The Governance Plan sets out recommendations to the Global Fund Board to further improve its governance systems and performance in order to achieve a world free of the burden of HIV/AIDS, tuberculosis and malaria, with better health for all.
- 6 The Governance Plan builds on the improvements seen from previous governance reforms and presents recommendations in the areas of: Governance Functions; Crosscutting Activities, including Risk Management and Assessment of Organizational Performance and the Partnership Forum; Voting Structure; Transparency of Board and Committee Votes; Institutional Memory Management; Legal Status; Lifecycle and Constituency Management and Elevating the Implementer Voice.

¹ Terms of Reference of the 2014 Ad-hoc Working Group on Governance (GF/B31/ER06)

- 7 Under each of these areas, the recommendations being put forward include that:
- a. Governance Functions:
 - i. The Global Fund move to an enhanced governance structure which includes a reconfigured committee structure with a re-alignment of responsibilities around a logical clustering of the skills required and the six core functions of the Board and includes the governance functions not currently allocated in the system. The realigned three-committee structure includes Ethics and Governance, Audit and Finance, and Strategy and Operations committees.
 - ii. A Transitional Governance Committee should be put in place until the end of the present committee terms with five key responsibilities:
 - 1. Oversight of the key governance functions and advise the Board thereon.
 - 2. Develop a Performance Assessment Framework and oversee the process of assessments of the Board and committees, including assessments of leadership.
 - 3. Finalize the Enhanced Governance Structure for Board approval, including updated roles and responsibilities under the re-configured three-committee structure.
 - 4. Develop the key components of a comprehensive Governance Framework for Board approval.
 - 5. Through a consultative process, develop proposals on the Board's future size and composition in the context of a changing global economic and development landscape as outlined in Annex 9.
 - iii. At the beginning of their terms, the Board Chair and Vice Chair shall determine between themselves their shared and individual responsibilities to oversee the Board's performance regarding the six core functions as set forth in the By-laws.
 - b. Crosscutting Activities:
 - i. A model for the management of crosscutting issues that will facilitate the holistic and effective oversight of these issues. The model illustrates how the crosscutting issues are presented by the Secretariat to the relevant committees, cross-committee coordination is ensured by the Coordinating Group and the Secretariat focal point consolidates and presents to the Board for consideration.
 - ii. Risk Management:
 - 1. The WGG recommends that risk management responsibilities be refined using the standard model for crosscutting issues, with each level of the governance structure playing a key role. It is important that all committees are involved in and contributing towards the management of risk and that each has a full picture of the risk universe. The Chief Risk Officer (CRO) is responsible for the consolidation and presentation of risk report to the Board.

2. The inclusion of an annual assurance report to the Board, providing the CRO's independent view on the robustness and effectiveness of the Secretariat's risk management and mitigation steps taken and whether the risk profile is acceptable, is improving or deteriorating.
 3. A training in risk management be actively offered as part the induction provided to Board and committee members. Efforts should also be made to ensure that risk experts are recruited in the committee nomination and selection processes.
- iii. Assessment of Organizational Performance
1. The allocation of responsibilities for performance against Key Performance Indicators (KPIs) based on a standard model for crosscutting issues, which provides a clear path to ensure that the KPIs are effectively considered by the relevant committees and brought to the Board for consideration.
 2. The development of the KPIs to monitor the 2017-2021 Strategy be an integral part of the strategy development process and build on the lessons learned from the development of the current framework.
 3. The Board reaffirms the importance of the Partnership Forum and that the scope of the Partnership Forum should be focused on and aligned to the development and implementation of the Global Fund Strategy.
- c. Voting Structure:
- i. Board members were asked to discuss different options during the Board Retreat. The Board showed different perspectives on the voting structure and it became clear that this issue is related to the vision on the future structure of the Board. The Transitional Governance Committee will include this topic in that vision.
- d. Transparency of Board and Committee Votes:
- i. Individual constituency votes at the Board be systematically recorded and a summary report included in the public Board documentation on the website. Votes at the committee level should also be systematically recorded, with a summary report being available on the internal Board Effect website but not released publically.
 - ii. The instatement of the secure livestreaming of Board meetings.
- e. Institutional Memory Management:
- i. An annual report to the Board be provided by the Office of Board Affairs, containing the full register of Board decisions and the status of implementation. In addition, any document being put forward for decision should contain a summary of any relevant decision points.

f. Legal Status:

The Board make a determination regarding the rules and norms (or standards and practices) that the Global Fund may adopt as internal legislation given its unique legal status.

g. Lifecycle and Constituency Management:

- i. The development of Guidelines for Lifecycle Management for Board and committees which cover guidelines and tools for on- and off-boarding Board and committee leadership and Board and committee members as well as guidelines and best practices for Constituency Management including nominating and selecting members.

h. Elevating the Implementer Voice:

- i. The Implementer Bloc present the Strategic Roadmap for Implementer Engagement developed by Management Sciences for Health, including any updates, to the Board for endorsement, including a workplan and budget for support.
- ii. The Board should ensure adequate support is provided for the implementation of the roadmap and workplan and the assessment of this implementation.

8 The WGG also presented a concept paper “Global Fund Governance in the Context of a Changing World” to initiate a strategic discussion at the Board Retreat on the Global Fund’s long-term vision for its governance structure in the context of a changing global economic and development landscape without the goal of providing specific recommendations. The Transitional Governance Committee is charged with taking forward the outcomes of the discussions held at the retreat.

9 Oversight of the implementation of the Governance Plan is included in the terms of reference for the Transitional Governance Committee, who will provide regular updates on progress to the Board presenting final recommendations at the November 2015 Board Meeting.

1 INTRODUCTION - THE GLOBAL FUND GOVERNANCE PLAN FOR IMPACT

- 1.1 The Global Fund invests for impact in order to fight HIV/AIDS, tuberculosis and malaria. To be successful we need to be an organization which is:
- An inspiring partner to fight the three diseases
 - A reliable partner to achieve value for money
 - In line with international standards and best practices in its performance
 - Continuously reviewing its performance in order to learn and improve
 - Relevant in an ever-changing global landscape
- 1.2 A key strategic enabler to ensure that the Global Fund achieves these goals is a strong governance system that functions optimally and drives the organization at the right level towards the attainment of the ambitious impact targets it has set.
- 1.3 The following Governance Plan sets out recommendations to the Global Fund Board to further improve its systems and performance in order to achieve a world free of the burden of HIV/AIDS, tuberculosis and malaria, with better health for all.

2 BACKGROUND – THE GLOBAL FUND’S COMMITMENT TO GOOD GOVERNANCE

- 2.1 The Ad-hoc Working Group on Governance (WGG) was established following the endorsement of a proposal presented by the Board leadership at the Thirty-First Board Meeting in March 2014. This proposal emerged from the Board’s ongoing commitment to ensuring the right governance mechanisms are in place.
- 2.2 The purpose of the WGG is “to identify and recommend for Board consideration possible changes in the Global Fund governance system with the intention of improving efficiency, effectiveness, unity and equity in conduct and management of the affairs of the Global Fund Board and its committees, in line with the mission, needs and work of the Global Fund.”²
- 2.3 The Governance Plan developed by the WGG aims to build on the governance improvements that have emerged from previous governance reforms including the Comprehensive Reform Working Group (CRWG) and the High-Level Review Panel (HLP) as well as address the findings of the Office of Inspector General Governance Advisory Review, as set forth in GF-OIG-14-008, (OIG Review).
- 2.4 Conducted in early 2014, the OIG Review structured its observations around the six core Board functions as identified in the by-laws, namely: Strategy Development, Governance Oversight, Commitment of Financial Resources, Assessment of Organizational Performance, Risk Management, and Partnership Engagement, Resource Mobilization and Advocacy. The report found that governance at the Global Fund had been significantly strengthened and highlighted the leadership of the Board and its committees in “the significant and far-reaching decisions made by the Board in

² Terms of Reference of the 2014 Ad-hoc Working Group on Governance (GF/B31/ER06)

the implementation of the 2012-2016 strategy and, in particular, the new funding model.”³

- 2.5 The OIG Review found that the Global Fund was generally effective in the following three core function areas: Strategy Development; the Commitment of Financial Resources; and Partnership Engagement, Resource Mobilization and Advocacy. It did however highlight some significant concerns in relation to the Board’s present fulfillment of its other three core functions areas: Governance Oversight and oversight of a number of cross-cutting issues including Risk Management and Assessment of Organizational Performance.⁴

3 WGG SELECTION AND APPROACH

- 3.1 Following the Thirty-First Board Meeting, the WGG members were nominated through open and transparent procedures set by the donors and implementers for their respective groups. Membership eligibility included current or former Board members, Alternates, focal points or committee members. The WGG comprises eight members, three designated by implementers, three by donors, the Chief of Staff of the Secretariat and the Inspector General. The WGG chose its Chair from its members as per the process defined in its terms of reference (TOR).

WGG Members:

Ton Coenen, Developed Country NGOs (Chair)
Donal Brown, UK and Australia
Annette Chammas, Germany
Jennifer Kates, Private Foundations
Jorge Saveedra, Developing Countries NGOs
Viorel Soltan, Eastern Europe and Central Asia
Marijke Wijnroks, Chief of Staff
Martin O’Malley, Inspector General

- 3.2 The WGG used the TOR approved by the Board as a guide to develop the scope and approach of its work.
- 3.3 Per the TOR, the WGG was asked to review a range of documents, including the findings of the OIG Review; the work of the sub-committee of the Audit and Ethics Committee on a new Ethics Framework; oral and written input from constituencies on governance issues; organizational operating procedures, by-laws and charters; and historical documents including the CRWG and HLP reports.
- 3.4 The WGG used the findings of the OIG Review, as well as the recommendations of the CRWG and HLP, as its main starting point to inform its scope and initial analysis. While all six core functions of the Global Fund were included, the WGG focused its effort on the three core areas identified by the OIG Review as needing particular attention: Governance Oversight, Risk Management and Assessment of Organizational Performance. The scope of the WGG’s work was later expanded to include a request received from the Donor Bloc to review processes around the addition of new Board constituency members.
- 3.5 The work has been conducted in three phases, each building on the outcomes of the previous one.

³ Governance Review Letter from OIG, 6 June 2014

⁴ Governance Review Letter from OIG, 6 June 2014

- **Development phase:** the wide-reaching focus areas were categorized into individual workstreams. Each area was analyzed for their efficiency and effectiveness within the existing Global Fund governance framework. Multiple sources of evidence were used including: previous reviews, interviews (with Global Fund stakeholders and external experts), benchmarking, industry best practices and a review of the Global Fund’s governance documents.
- **Consultation phase:** Multiple consultations were held with various stakeholder groups (see Annex 7) to test ideas and receive feedback on the recommendations being considered.
- **Consolidation phase:** The individual workstreams were consolidated and analyzed together to develop the recommendations making up the comprehensive Governance Plan. These recommendations take into consideration the feedback received during the consultation phase and the additional analyses performed during this period.

Development Phase Workstreams

- Committee Structure and Performance Assessment
- Risk Management
- Assessment of Organizational Performance (Strategic)
- Partnership Forum
- Board Member Lifecycle Management
- Implementer Representation
- Legal Systems
- Board Composition
- Voting Structure
- Institutional Memory Management
- Record of Board and Committee Votes

4 FINDINGS AND RECOMMENDATIONS

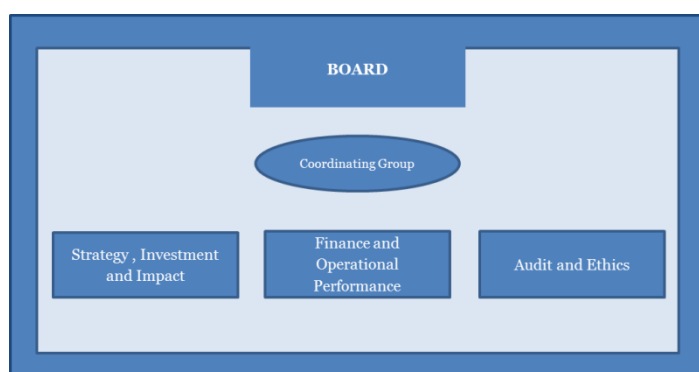
- 4.1 The Global Fund needs to ensure that its governance systems remain relevant, effective and flexible to change as the organization matures and the global landscape evolves. The recommendations in this Governance Plan represent the ongoing evolution of the change and improvements seen from previous reforms and provide the Global Fund Board with a proposed path forward to set the Global Fund governance framework for the future and guard against risks due to gaps in the existing structures.
- 4.2 The Governance Plan also identifies improvements that can be made immediately and will advance the current functioning of the Board and its supporting governance structures.
- 4.3 The sections below outline the consolidated areas of analysis, key issues and proposed recommendations that make up the Governance Plan.

5 GOVERNANCE FUNCTIONS

Analysis

- 5.1 The Global Fund’s current governance structure was put in place following the Twenty-Fourth Board Meeting in September 2011 and streamlined the governance functions into five governance bodies:

- Board
- Coordinating Group
- Three committees:



1 Current Governance Structure

- Strategy, Investment and Impact Committee (SIIC)
 - Audit and Ethics Committee (AEC)
 - Finance and Operational Performance Committee (FOPC)
- 5.2 This structure has facilitated many improvements in the overall functioning of the Global Fund’s governance systems including: streamlined allocation of responsibilities between the committees with set levels of delegated authority and a designated body to ensure coordination between the committees.
- 5.3 The OIG Review notes that these changes have resulted in important improvements over the last two years. At the same time, it identifies several gaps that still remain and finds that governance oversight at the Global Fund is not yet performing optimally.
- 5.4 The WGG, building on these findings with the analysis of additional past reviews, consultations and key governing documents, pinpointed three outstanding areas for concern that need to be addressed:
- i. Key governance functions have been allocated within the system but are not being performed;
 - ii. Key governance functions that have not been placed within the system at all; and
 - iii. The roles of the Chair and Vice-Chair of the Board are not specified.
- 5.5 A benchmarking analysis of both private and public sector organizations⁵ demonstrated that in all the organizations reviewed the governance functions listed above are performed by a type of governance committee.

Allocated governance functions not being performed within the current structure

- 5.6 Analysis of the current governance systems identified four key governance functions that, while they had been allocated within the system, were not being performed.
- **Performance assessment of Board, committees and advisory entities:** the by-laws require that the Board establish a framework to periodically assess governance and advisory bodies. While several committees have conducted self-assessments in the past, no consolidated framework for assessing performance is in place and no regular assessment schedule is used. This leaves the Global Fund without a clear accountability mechanism or opportunities to benefit from lessons learned.
 - **Strengthening of Board constituency engagement:** In the past, processes for the nomination and selection of Board and committee members have been criticized for a lack of transparency as well as for not providing sufficient assurance as to the suitability of candidates being put forward. No guidelines or performance metrics exist for nomination and selections.

⁵ GAVI, World Bank, UBS and Novartis

- **Attract, develop and retain Board talent:** While there are some ad hoc processes in place, there are no formalized guidelines or processes for Board and committee induction or for the level of engagement required between meetings to ensure that the Global Fund Board remains an attractive and feasible option for potential Board and committee members.
 - **On-boarding and off-boarding of Board and committee members:** The transition between incoming and outgoing Board leadership, committee leadership and Board and committee members is critical to the continued effective functioning of governance systems. Currently no standardized processes or minimum requirements exist.
- 5.7 These roles are currently placed with the Coordinating Group. In practice the Coordinating Group is very focused on the coordination between the committees. Ensuring effective cross-committee coordination is both vital and requires significant time investment from committee leadership. Against this background, the WGG does not consider it feasible, or desirable, for the Coordinating Group to take on this additional burden.
- 5.8 Related to the performance assessment of Board, committees and advisory entities there is an inherent conflict of interest for members of the Coordinating Group to oversee the assessments of the governing bodies that they lead.

Governance functions that are not allocated within the current structure

- 5.9 Further review showed that other key governance functions had not been allocated within the current structure and, as such, are not sufficiently managed within the Global Fund. These include:
- **Performance of Board members and committee members:** no processes are in place to assess the suitability and performance of individual Board and committee members against the minimum key competencies and responsibilities as identified in the Board and Committee Operating Procedures, Annex 1, Tables 1 and 3A. This leaves the Global Fund unable to establish that it has the right people in the right roles.
 - **Legal status issues:** No committee is clearly charged with the oversight of issues around compliance with the applicable legal rules and regulations or the strengthening of efforts around Global Fund's Privileges and Immunities.
 - **Review of governing documents:** The regular review and revisions of statutes, by-laws, committee charters and other governing documents does not currently sit with any one committee.
 - **Institutional memory management:** in its current practices, the Global Fund Board does not systematically consider the results of past decisions or discussions to inform upcoming decisions, nor is one body charged with ensuring that institutional memory is adequately maintained.
 - **Country Coordinating Mechanisms (CCM):** While not a part of the formal governance structure at the Global Fund, CCMs play an important role in the

overall performance of the governance of the organization. Currently no governance body is responsible for ensuring CCM issues have a clear entry point within the overall governance structure.

The roles of the Chair and Vice-Chair

- 5.10 Several issues were detected with the Terms of Reference of Board leadership including that they do not specify the respective roles of the Chair and Vice-Chair, making expectations unclear and individual performance assessment difficult. The delineation between oversight and decision-making responsibilities is also not clearly defined, making it difficult to determine to which domains these apply. Furthermore, the volume of responsibilities outlined is inconsistent with the time commitment proposed.

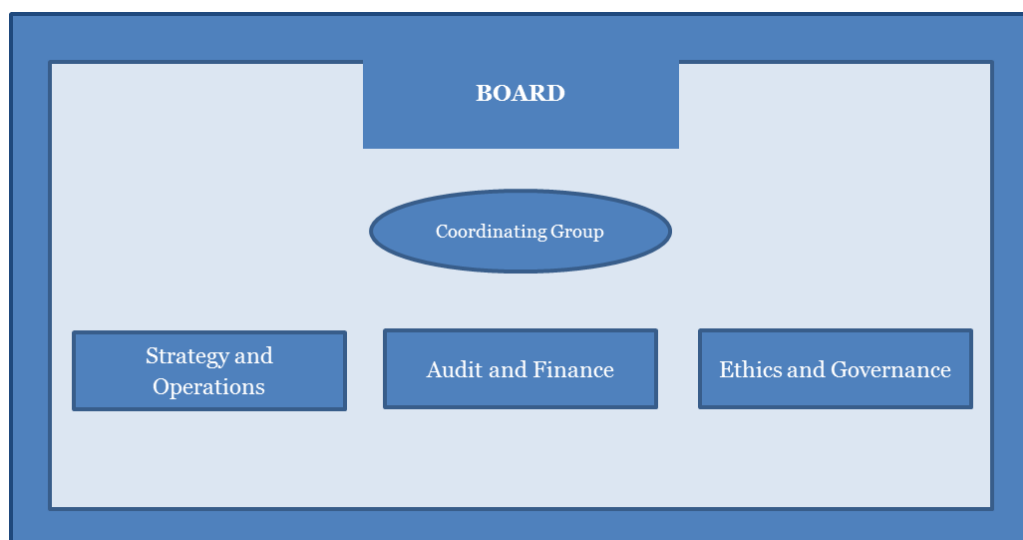
Recommendations

An enhanced governance structure

- 5.11 The WGG recommends the Global Fund move to an enhanced governance structure that includes a five-body governance structure with realigned responsibilities through a transitional model that includes a Transitional Governance Committee being put in place until the end of the present committee terms.
- 5.12 The WGG considered several options as part of its analysis. Attempts to allocate the missing and challenging functions within the current governance structure would require the majority of the functions to be placed with the Coordinating Group, for lack of a designated committee responsible for governance-related matters. This runs the risk of over-charging the Coordinating Group and taking the focus away from the respective committee matters and cross-committee coordination and it does not solve the conflict of interest related to performance assessments. The creation of a specific committee responsible only for governance-related matters would overburden the Global Fund system in the long term and not allow for the natural pairing of governance matters with other related issues. It would also increase the total size of committees and lead to an increase in the cost of governance.
- 5.13 The WGG recommends to evolve the current system, maintaining the current five-body governance structure of the Board, Coordinating Group and three committees but enhancing the functions of each of the bodies. The enhanced structure will ensure that the missing and challenging governance functions identified above are the clear responsibility of one committee and are effectively managed within the governance systems.
- 5.14 The enhanced model includes a reconfigured committee structure with a re-alignment of responsibilities around a logical clustering of the skills required and the six core functions of the Board and includes the governance functions not currently allocated in the system. The realigned three-committee structure includes Ethics and Governance, Audit and Finance, and Strategy and Operations committees.

5.15 The reasoning behind this model is as follows:

- Ethics and Governance Committee: the governance functions that need to be placed in the system are closely linked to the functions in the area of ethics (codes of conduct, etc.). The Ethics and Governance Committee might consider including external expertise in addition to Board members from Board constituencies.
- Audit and Finance Committee: it is standard practice to combine audit and finance in one committee. This combination also makes the best use of the available expertise on finance by combining this in one committee. This committee is in need of external expertise in addition to members from Board constituencies.
- Strategy and Operations Committee: given the strong link between strategy and the implementation of the strategy (operations) these functions are combined in one committee.
- This alignment of responsibilities will ensure an even distribution of responsibilities, to avoid one or more governance bodies becoming overburdened.



2: Enhanced Governance Structure

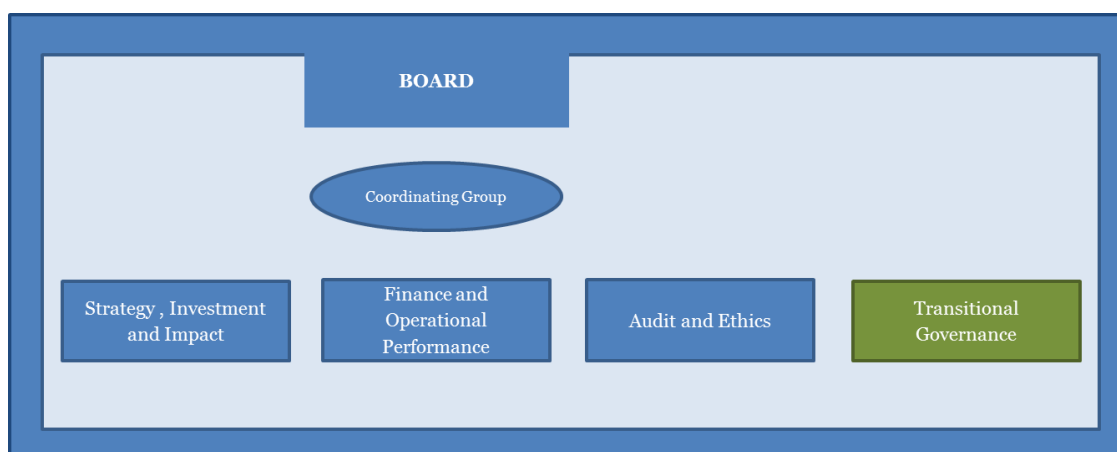
5.16 Annex 3 outlines a preliminary allocation of responsibilities amongst the five governing bodies under the enhanced governance structure.

Transitioning to the enhanced governance structure

5.17 Based on the findings of the WGG analyses, the enhanced structure above is considered an optimal model to ensure that governance oversight is effective within the Global Fund. It would be premature, however, to transition immediately to the new model considering that it would disrupt on-going activities of the existing committees who began their current terms in March 2014. Furthermore, with the lack of performance assessment results of the Board and committees, it is not possible for

the WGG to ensure that all key issues have been addressed under the preliminary allocation of responsibilities.

- 5.18 The WGG recommends that a Transitional Governance Committee be put in place that would prepare the finalization of the enhanced structure as well as develop and oversee the performance of performance assessments and ensures the lessons learned be considered in the proposed final structure.



3 Transitional Model

- 5.19 A Transitional Governance Committee with clear terms of reference and deliverables should be put in place for the remainder of the duration of the current committee terms. During this period, the Transitional Governance Committee would have five key responsibilities:

- 1) **Oversee key governance functions** that were identified as missing or not being performed in the existing structure and advise the Board thereon.
- 2) **Development of a Performance Assessment Framework and oversee the process of assessments of the Board and committees**, including assessments of leadership. Assessment of the Transitional Governance Committee should be overseen by Board leadership.
- 3) **Finalization of the Enhanced Governance Structure for Board approval, including updated roles and responsibilities under the re-configured three-committee structure** based on the preliminary model provided by the WGG (Annex 3).
- 4) **Development of the key components of a comprehensive Governance Framework** for Board approval, to ensure that the Global Fund has the correct systems, processes and guidance to facilitate effective governance including guidelines for effective lifecycle and constituency management.
- 5) **Through a consultative process, develop proposals on the Board's future size and composition** in the context of a changing global economic and development landscape as outlined in Annex 9.

- 5.20 As part of the work underlying this report, the WGG developed a package of detailed concept notes covering the various workstreams identified in this report that will be provided to the Transitional Governance Committee to inform the work.
- 5.21 Detailed terms of reference for the Transitional Governance Committee including key deliverables are provided in Annex 2.
- 5.22 The changes in the roles and responsibilities of the Board leadership and the Coordinating Group for the transitional period are outlined in Annexes 4 and 5.
- 5.23 During the transitional period, the roles and responsibilities of the existing committees, the SIIC, the FOPC and the AEC, remain unchanged.
- 5.24 Annex 1 provides a roadmap and timeline for the implementation of the recommendations proposed in the Governance Plan, including the transition to the enhanced model.

4 Six Core Board Functions



Defining the role of Board leadership

- 5.25 To address the issues identified with the Board leadership terms of reference there is a need for more specific definitions of the respective roles of the Board Chair and the Vice-Chair. Further defining these roles would clearly identify the areas of oversight that fall within the individual roles and would strengthen the guiding role of Board leadership and provide a framework for accountability and assessment.
- 5.26 The WGG is recommending that, at the beginning of their terms, the Board Chair and Vice Chair shall determine between themselves their shared and individual responsibilities to oversee the Board’s performance regarding the six core functions as set forth in the By-laws. This can be implemented for the incoming Board Chair and Vice-Chair, after their appointment, and would be dependent on the individuals’ skills and interests.

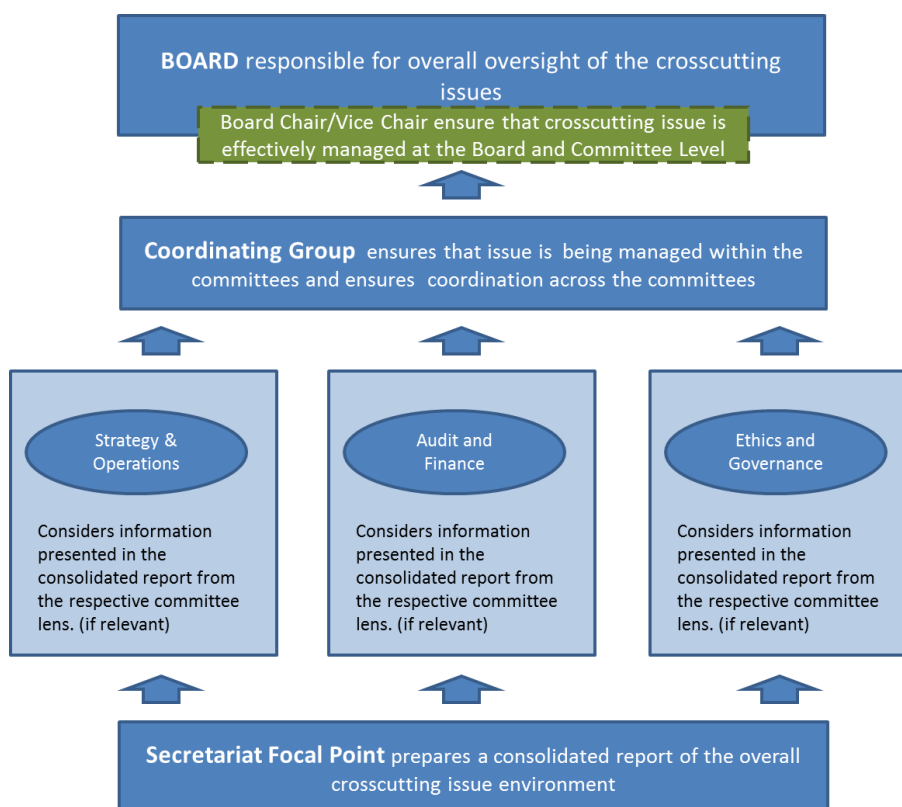
6 BOARD OVERSIGHT OF CROSSCUTTING ACTIVITIES

Analysis

- 6.1 The Board’s oversight of crosscutting issues, including Risk Management and Assessment of Organizational Performance, was identified as an area of weakness in the OIG Review. The review highlighted the need to address the fragmented approach to risk management and the lack of Board evaluation of progress towards the overall strategic objectives.
- 6.2 The Coordinating Group performs a key role in ensuring the coordination and collaboration between the Board and its committees. It has a responsibility to ensure that the key issues emerging from the committees are brought to the Board at the right strategic level. This collaboration is a key element in the successful governance of the Board.

Recommendations

- 6.3 Further analysis identified the need for crosscutting issues to be addressed systematically by the Board at the right strategic altitude. To support the enhanced structural model outlined above, the WGG recommends a model (Figure 5) for the management of crosscutting issues that will facilitate the holistic and effective oversight of these issues. The model illustrates how the crosscutting issues are presented by the Secretariat to the relevant committees, cross-committee coordination is ensured by the Coordinating Group and the Secretariat focal point consolidates and presents to the Board for consideration.



5 Proposed model for cross-cutting issues

Risk Management

Analysis

- 6.4 Risk Management is one of the six core Board functions and as such, the oversight of risk management should sit with the Board, supported by the other governing bodies.
- 6.5 The Governance Reforms report presented at the Twenty-Fifth Board Meeting of the Global Fund Board held in Accra, Ghana in November 2011 identified “the lack of a holistic strategy for risk strategy runs the risk of GF continuing a silo-based, non-comprehensive approach to risk management oversight.”⁶ Since then, various risk management steps taken are noted, including the creation of a Chief Risk Officer (CRO) position. Other initiatives put in place to strengthen risk management are also

⁶ Governance Reform (GF/b25/5)

highlighted and supported by the WGG, such as the establishment of the Risk and Assurance Committee, the introduction of a corporate risk register and a Combined Assurance Framework.

6.6 These initiatives represent a stronger approach to risk management but there remains a lack of systematic oversight of risk at the Board level. There is no approved framework guiding the systematic consideration of risk matters by the Board. There is a lack of oversight, coordination and allocation of responsibilities for risk between the Board and the committees. This is further complicated by the lack of key risk expertise on the Board, with the concepts of risk appetite and risk tolerance being unfamiliar to many Board members.⁷

Recommendation

6.7 The WGG recommends that the Board has a clear understanding of the risks and opportunities faced by the organization and that this is the responsibility of all the governing bodies, with a key role for the CRO.

6.8 The WGG recommends that risk management responsibilities be refined using the standard model for crosscutting issues as applied in Figure 6 with each level of the governance structure playing a key role. It is important that all committees are involved in and contributing towards the management of risk and that each has a full picture of the risk universe. The CRO is responsible for the consolidation and presentation of a risk report to the Board.

| | |
|------------------------------|--|
| Board | <ul style="list-style-type: none"> ▪ Risk Management is a standing agenda item at Board Meetings based on a report by the CRO ▪ Review portfolio of risk and measure against risk appetite ▪ Approve risk policies and frameworks and ensure that the Global Fund has the correct risk framework and practices in place |
| Board Chair/Board Vice-Chair | <ul style="list-style-type: none"> ▪ Overall responsibility for ensuring that risk responsibilities are conducted effectively at the Board, and Committee level. |
| Coordinating Group | <ul style="list-style-type: none"> ▪ Ensure that risk is being effectively addressed in each of the committees ▪ Ensure coordination across the committees as needed |
| 3 Board Committees | <ul style="list-style-type: none"> ▪ Risk is a standing item on each committee meeting agenda (2x year) ▪ Consider the overall risk from the respective lens of each committee ▪ Identify any issues or concerns for Board consideration ▪ Review risk policies and frameworks from the respective lens of each committee (but do not approve) |
| Chief Risk Officer | <ul style="list-style-type: none"> ▪ Bi-annual report to the Committees on overall risk environment. (One consolidated report) ▪ Annual Assurance Report to the Board on the effectiveness of risk management and mitigations ▪ Create and manage a Comprehensive Risk Management Framework ▪ Conduct regular in-country verification of risk assessments (min 6/year) |

6 Responsibilities for Risk Management

⁷ OIG Advisory Report, Governance Review, page 20 (GF-OIG-14-008)

- 6.9 The WGG recommends the inclusion of an annual assurance report to the Board, providing the CRO's independent view on the robustness and effectiveness of the Secretariat's risk management and mitigation steps taken and whether the risk profile is acceptable, is improving or deteriorating.
- 6.10 The WGG recommends that the independence of the CRO position be maintained. The CRO should continue to report to the Executive Director (ED); however committee leadership should provide input into the annual performance appraisal of the CRO. It is also expected that the CRO will flag any material matters where the ED and CRO have a fundamental difference of opinion.
- 6.11 To ensure that the Board has the correct risk expertise, the WGG recommends that a training in risk management be actively offered as part of the induction provided to Board and committee members. Efforts should also be made to ensure that risk experts are recruited in the committee nomination and selection processes.

Assessment of organizational performance

Analysis

- 6.12 Board members have expressed a desire to spend more time on strategy and decision-making rather than the more operational matters.⁸ A key area for this greater focus on strategic decision-making is to assess the organization's performance against its strategic objectives.
- 6.13 A corporate KPI Framework 2014-2016 has been developed that is aligned with the Strategy. The framework covers KPIs at the corporate level – both strategic KPIs and activity specific KPIs – and is complemented by operational KPIs at the Secretariat level. While progress has been made with the impending finalization of the KPI framework, the OIG Review flagged a need for greater Board oversight of how the Global Fund is performing against its ambitious goals, targets and strategic objectives. It is imperative that the Board consider the Global Fund's performance against its corporate key performance indicators (KPIs).
- 6.14 The WGG identified two main areas of concern:
- i. The development of the corporate KPI framework has taken considerable time which has caused delays in Board oversight of progress achieved against strategic objectives; and
 - ii. The current KPI framework can be further enhanced with additional information which should be addressed when the updated KPI framework to monitor the 2017-2021 Strategy is developed.
- 6.15 Of foremost urgency, in the short term, the WGG encourages the final approval of the KPI framework which will be submitted to the Thirty-Second Board Meeting, together with projected 2014 results. As an additional source of information the operational KPI results will be made available to the Board through the introduction of an online dashboard.

⁸ Governance Reforms, 21-22 November 2011 (GF/B25/5)

Recommendations

6.16 The WGG recommends the allocation of responsibilities in Figure 7 table below, based on the standard model for crosscutting issues, which provides a clear path to ensure that the KPIs are effectively considered by the relevant committees and brought to the Board for consideration.

| | |
|------------------------------|---|
| Board | <ul style="list-style-type: none"> ▪ Performance against KPIs is a standing agenda item at the first Board Meeting of the year based on a report from Secretariat Focal Point ▪ Review performance against KPIs and guide the organization accordingly ▪ Ensure the Global Fund has the correct KPI framework and practices in place |
| Board Chair/Board Vice-Chair | <ul style="list-style-type: none"> ▪ Overall responsibility for ensuring that the assessment of organizational performance is conducted effectively at the Board, and Committee level |
| Coordinating Group | <ul style="list-style-type: none"> ▪ Ensure that performance against KPIs is being effectively addressed in each of the relevant committees ▪ Ensure coordination between committees as needed |
| Board Committees | <ul style="list-style-type: none"> ▪ Performance against KPIs is a standing annual item on the Strategy and Operations and Audit and Finance Committees ▪ Consider the overall performance from the respective lens of each committee ▪ Identify any issues or concerns for Board consideration |
| Secretariat Focal Point | <ul style="list-style-type: none"> ▪ Annual report on performance against KPIs presented to relevant Committees (One consolidated report) ▪ Create and manage a Comprehensive KPI Framework ▪ Create and maintain an online Operational KPI Dashboard accessible to Board and Committee members |

7 Responsibilities for Organizational Performance

6.17 The process to develop the current KPI framework was time-intensive and supported by several rounds of consultation. The WGG recommends the development of the KPIs to monitor the 2017-2021 Strategy be an integral part of the strategy development process and build on the lessons learned from the current framework.

Partnership Forum

Analysis

6.18 Mandated as a core part of the Global Fund's Governance Framework, the Partnership Forum is a collection of consultations implemented by the Global Fund Board every 24 to 30 months. To date, there have been four Partnership Fora: 2004 (Bangkok), 2006 (Durban), 2008 (Dakar) and 2011 (Sao Paulo). Currently the Partnership Forum is overdue. The OIG Review states that "the Board should assess

whether the Partnership Forum should continue in its present guise or whether alternatives should be explored.”⁹

- 6.19 The WGG determined that a sufficient analysis of the Partnership Forum, including an exploration of alternative forms, had already been conducted. In May 2011, the Global Fund Board commissioned a three-month independent evaluation of the 2011 Partnership Forum to compile stakeholder perspectives about the outputs, processes, positioning and management of the 2011 Partnership by the Fremont Center.
- 6.20 The evaluators concluded that the Partnership Forum “remains an important mechanism for governance, accountability, and communication channel for the Global Fund and its stakeholders and constituencies”.

Recommendations

- 6.21 The WGG is in agreement with the report recommendations for the Board and Secretariat in regard to the role and positioning of the Partnership Forum in the Global Fund’s overall governance framework.
- 6.22 The WGG recommends that the Board reaffirms the importance of the Partnership Forum and that the scope of the Partnership Forum should be focused on and aligned to the development and implementation of the Global Fund Strategic Plan. As the current lead committee for strategy development, the SIIC should be charged with the oversight and coordination of the Partnership Forum as an on-going global stakeholder dialogue that combines online consultations with in-person meetings. The SIIC will be responsible to further develop the Partnership Forum, in terms of form and content, as a platform for ongoing advocacy and progress review linked to the Global Fund Strategic Plan. The Board will amend the by-laws accordingly as identified in Annex 6.
- 6.23 Following the transition to the enhanced governance structure, the WGG recommended enhanced governance structure places oversight responsibility of the Partnership Forum with the Strategy and Operations Committee.

7 VOTING STRUCTURE

Analysis

- 7.1 The voting structure of the Global Fund is unique and was groundbreaking at the time of its inception. The current system was put in place to ensure parity between donors and implementers and to enshrine the principle of consensus-building, as stated in the by-laws, paragraph 7.6:

“The Board shall use best efforts to make all decisions by consensus. If all practical efforts by the Board and the Board Chair have not led to consensus, any member of the Board with voting privileges may call for a vote. In order to pass, motions require a two-thirds majority of those present of both: a) the group encompassing the eight donor seats, one private sector seat and one private foundation seat; and b) the group encompassing the seven developing country seats, the two nongovernmental

⁹ OIG Advisory Report, Governance Review, page 15 (GF-OIG-14-008)

organization seats, and the representative of a nongovernmental organization who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria.”

- 7.2 A consequence of the 2/3 majority vote per bloc rule outlined above has come to be called a “blocking minority” (i.e., if four voters within one bloc object, a motion cannot be passed).
- 7.3 The voting structure has been the subject of debate for a few years now. There is general agreement that it has achieved its goal of ensuring parity between implementers and donors. There has been some discussion however as to whether the current model remains relevant considering the changing global landscape.
- 7.4 The OIG Review identified concerns around the current voting structure, particularly around the “blocking minority”, stating that some of those surveyed felt that the threat of a blocking minority was being used to “ensure that decisions are steered towards the interest of the minority rather than the overall interest of the organizations” and reported that the Board members surveyed from both donors and implementers demonstrated a strong appetite to change the current voting structure.
- 7.5 During its consultations with various stakeholders, however, the WGG found the views on the voting structure to be quite wide-ranging and mixed.
- 7.6 In response to the two options proposed in the consultations, some members felt that the requirement of a 2/3 majority from both voting blocs has pushed the Global Fund into better decision-making, giving everyone an equal voice at the table, whereas others indicated that the bloc structure stifles serious discussions and encourages a “bloc mentality” rather than a partnership and holistic-board thinking. Others reported that the threat of a “blocking minority” resulted in “compromised decisions” which were subsequently difficult to implement.

Recommendation

- 7.7 Giving consideration to the mixed reactions to changes to the voting structure in the consultations, the WGG revisited this topic and put forth modified options for discussion at the Board Retreat. The options included maintaining the existing voting structure or moving away from the bloc structure towards a majority vote across the whole Board.
- 7.8 Voting options for Board Retreat discussion
- Option A: Require a majority vote across the board for all decisions (e.g.:2/3, 3/4)
- Option B: Require at least a simple majority vote per voting bloc for all decisions
- Option C: Require at least a 2/3 majority vote per voting bloc for all decisions
- 7.9 Board members were asked to discuss these options during the Board Retreat. The Board showed different perspectives on the voting structure and it became clear that

this issue is related to the vision on the future structure of the Board. The Transitional Governance Committee will include this topic in that vision.

8 TRANSPARENCY OF BOARD AND COMMITTEE VOTES

Analysis

8.1 Within the current governance practices, the individual constituency votes cast at Board and committee meetings are not systematically or transparently recorded at the Global Fund. No clear record exists of votes per constituency. This can be improved, in line with the Global Fund's commitment to transparency, through some minor changes to the existing practices.

Recommendation

8.2 The WGG recommends that individual constituency votes at the Board be systematically recorded and a summary report included in the public Board documentation on the website. Votes at the committee level should also be systematically recorded, with a summary report being available on the internal Board Effect website but not released publically.

8.3 An additional step to improve the transparency around the discussions and decisions at Board meetings would be the instatement of secure livestreaming of Board meetings, previously done for the Colombo Board Meeting (June 2013). The actual cost to the organization is limited (USD 5000-7000).

9 INSTITUTIONAL MEMORY MANAGEMENT

Analysis

9.1 Institutional memory can be defined as the “the body of knowledge, formal as well as informal, that is essential to the continuous and effective functioning of [an] agency at all levels”.¹⁰ It is a critical input into knowledge management and organizational success. In 2011, the Final Report of the High-Level Panel identified weaknesses with the Global Fund's institutional memory management at both the Secretariat and Board levels. The OIG Review reported that “new decisions are made without the necessary appreciation of the legacy of active decisions of which the Board should be aware and any outstanding decisions are not on the Board's meeting agenda.”¹¹

9.2 A key barrier to better institutional memory management is the lack of a Board culture that regularly uses such data in its decision-making. Even if information is made available, it is unclear how the Board will make use of it.

9.3 Efforts have already been made by the Secretariat to address the issue of institutional memory management including:

- A public database of Board decision points is accessible to all Board members: (see: <http://www.theglobalfund.org/knowledge/decisions/>).

¹⁰ National Academy of Sciences, NCHRP Synthesis 365: Preserving and Using Institutional Memory Through Knowledge Management Practices, 2007

¹¹ OIG Advisory Report, Governance Review, page 26 (GF-OIG-14-008)

- A summary of Board decision points from the previous meeting as well as any electronic decisions taken in the interim is provided as part of the Board meeting materials.
- The Office of Board Affairs tracks Board and committee decision points internally as well as any action points emerging from the committee meetings.

Recommendations

9.4 The WGG recommends that these initiatives should be further enhanced with an annual report to the Board, provided by the Office of Board Affairs, containing the full register of Board decisions and the status of implementation. In addition, any document being put forward for decision should contain a summary of any relevant decision points. The planned improvements for the public database of Board decision points should continue and be resourced appropriately.

10 THE RIGHT SYSTEMS, PROCESSES AND SUPPORT

10.1 As important as ensuring that the Global Fund has the right people in place for effective governance, is ensuring that governance practices are supported by correct legal rules and regulations, processes and guidelines. It is critical that the Global Fund has the correct compliance framework in place and the needed privileges and immunities in the countries in which it operates. Equally important is that Board and committee members understand the key requirements and expectations and that the right level of support is provided to the constituencies to ensure that all voices are heard equally.

Legal status

Analysis

10.2 The Global Fund is currently not recognized as an international organization globally. Given its unique legal status, the Global Fund does not have an explicit external compliance framework. The Global Fund Legal and Compliance Department advises that while the Global Fund is immune from legal process due to its privileges, immunities and exemptions in Switzerland and the USA, the Global Fund does voluntarily comply with certain external regulations in these jurisdictions.

Recommendations

10.3 To get clarity on an applicable compliance environment, the WGG recommends that the Board make a determination regarding the rules and norms (or standards and practices) that the Global Fund may adopt as internal legislation given its unique legal status. The responsibility to identify, ensure (and oversee) compliance with the applicable rules is not currently explicitly stated/assigned to the Board and/or its governance structures. Under the enhanced governance structure, the responsibility would be allocated to the Ethics and Governance Committee.

Privileges and immunities

Analysis

- 10.4 In 2009, the Global Fund Board endorsed a multilateral Privileges and Immunities (P&I) agreement to ensure that it had the necessary protections in the donor and implementer countries. To date this agreement has been signed by only eight countries and the Global Fund has not fully implemented the High-Level Panel observation that “at a minimum, nations that sit on the Global Fund’s Board should expedite their domestic processes to grant the organization privileges and immunities”.
- 10.5 Operating and financing programs outside of the jurisdictions where it enjoys P&I represents certain costs and risks. Financial costs include the taxes and duties paid by the Global Fund on operating expenditures as well as those levied again at grant recipients for grant expenditures. Additionally, risks of litigation linked to Global Fund activities exist and could prove disruptive to the delivery of the mission of the Global Fund to affected populations, not to mention the risks faced by Global Fund personnel operating in country.
- 10.6 The WGG encourages the continuation of increased efforts to secure P&I in additional states, including the implementation of new grant regulations which require host-country grantees to take “all appropriate and necessary actions” to ensure the Global Fund is granted P&Is within 3 years. Additionally there is a joint FOPC and AEC initiative being put forward for approval at the Thirty-Second Board Meeting to constitute a group of donor and implementer representatives to identify strategies and advocate for the acquisition of privileges and immunities for the Global Fund. Under the enhanced governance structure, the responsibility would be allocated to the Ethics and Governance Committee.

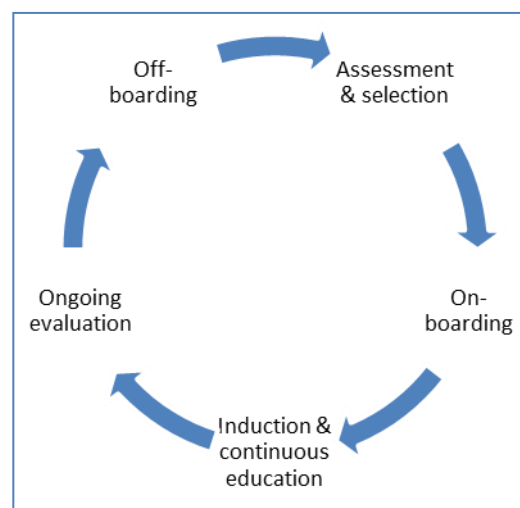
11 LIFECYCLE AND CONSTITUENCY MANAGEMENT PRACTICES

- 11.1 To maximize the effectiveness of the Board and its committees, adequate “lifecycle” and constituency management practices need to be in place.

Lifecycle management

Analysis

- 11.2 Effective lifecycle management ensures that governance officials have the guidance and support they need to clearly understand the key requirements and expectations and to perform optimally at each stage of their tenure.
- 11.3 Selecting Board and committee members with the right expertise is a critical element to ensuring effective governance. However, the OIG Review identifies that no guidelines exist for Board member selection and there is a lack of clarity around the expectations of the role of Board and committee members. Further



analysis by the WGG identified that while the required competencies for Board and committee leadership and Board and committee members are identified in the Board and Committee Operating Procedures, no process exists for ensuring that candidates put forward sufficiently meet these requirements, nor is it standard practice to measure member performance against them. Historically, this has led to a lack of the required technical skills being seen in some committees.

- 11.4 Once members are selected, the induction processes are currently ad hoc and not systematically applied across the different governing bodies. While the committees entering their new terms in March 2014 did receive a successful induction, a formalized induction and continuous improvement program for Board and committee members is an outstanding recommendation from the HLP. Implementation of a systematic induction process is challenged by the fact that Board members, unlike committee members, do not take up their positions at the same time. This is further complicated by the fact that Board members are often high-level government officials with tight schedules, making arranging formal in-person inductions difficult.
- 11.5 A high level of absenteeism or turnover with only 45% of delegates returning to a second Board meeting prevents effective continuity. Currently the transition between entering and exiting Board and committee members is done through ad hoc handovers rather than a guided, systematic process.

Constituency management

Analysis

- 11.6 Board and committee members are nominated and selected from within the individual constituencies. Currently individual constituencies determine their own modalities for selecting and appointing constituency representatives to the Global Fund governance structures. While the responsibility for representative selection should remain the purview of the individual constituencies, these should benefit from the development of overall guidelines and best practices surrounding the minimum requirements and lessons learned for member selection processes, clear roles and responsibilities for constituency members and communication principles and modalities.

Recommendations

- 11.7 The WGG recommends that the Transitional Governance Committee has as a key deliverable (see Annex 2) the development of Guidelines for Lifecycle Management for Board and Committees which cover guidelines and tools for on- and off-boarding Board and committee leadership and Board and committee members as well as guidelines and best practices for constituency management including nominating and selecting members. As part of its work underlying this report, the WGG developed a detailed concept note on lifecycle management that will be provided to the Transitional Governance Committee to inform their work this area.

12 ELEVATING THE IMPLEMENTER VOICE

Analysis

- 12.1 The OIG Review identified that the voices of the implementer country delegations need strengthening. This challenge was also recognized as a problem in the HLP, triggering numerous discussions and efforts to support implementer constituencies.
- 12.2 Several successful initiatives to remedy this have already been undertaken, including the creation of the African Constituencies Bureau aimed at improving communication within and between the African constituencies.
- 12.3 In 2012-2013, Management Sciences for Health (MSH) was commissioned to develop a Strategic Roadmap to enhance “Implementer Engagement” with the governance work of the Board of the Global Fund.
- 12.4 The MSH report “develops enhanced engagement, participation, communication principles and strategies” and “provides guidance to ensure high quality and effective representation by the implementer constituencies in Board-level Global Fund processes and decision-making.
- 12.5 WGG consultations with the Implementer Bloc identified that the recommendations included in the Strategic Roadmap remain valid and are supported by the implementers.
- 12.6 To date, this report and its recommendations have not been endorsed by the Board.

Recommendations

- 12.7 The WGG recommends that the Implementer Bloc presents “the Strategic Roadmap to enhance Implementer Engagement”, including any updates, to the Board for endorsement, along with a workplan and budget for support.
- 12.8 The Board should ensure adequate support is provided for the implementation of the roadmap and workplan and the assessment of this implementation.

13 DUTY OF CARE

Analysis

- 13.1 The Global Fund’s Core Governance Handbook clearly states that “The Global Fund was created to be different” and that it brings together a wide variety of stakeholders including donor and implementer governments, civil society, affected communities, private foundations, the private sector and technical partners. While ensuring that all parties have an equal voice, this model in itself contains inevitable tensions between the interests of various constituencies and the overall best interest of the Global Fund. No guidance exists to assist Global Fund constituencies in effectively managing these tensions.
- 13.2 The Board leadership initiated the Ethics and Integrity Framework initiative in parallel with the Ad Hoc Working Group on Governance. Under the oversight of the Ethics Steering Committee (ESC) the mandate of the initiative is to develop a consolidated

Ethics and Integrity Framework applicable to the whole of the Global Fund. This includes the issues surrounding Duty of Care and Conflict of Interest. To avoid duplication of efforts, it was agreed that the ESC would take the lead on the development of a Code of Conducts for Governance Officials that would address the issues of Duty of Care and Conflict of Interest. The ESC and WGG worked in a collaborative manner with the WGG providing its feedback into the development of the documents. This feedback was further discussed during the 10th AEC Meeting in October 2014.

- 13.3 The WGG recognizes the importance of a Code of Conduct for Governance Officials and provided input into the document being developed as part of the Ethics and Integrity Framework. The WGG also welcomes the Phase II workplan including the development of a guidance note further expanding on the definition of “Duty of Care” and “Best interest of the Fund” as well as an updated Declaration of Interest form for governance officials.

14 BOARD COMPOSITION

Analysis

- 14.1 The WGG received an additional request to consider as part of its work plan: the issue of integrating new members onto the Global Fund’s Board and to provide recommendation(s) at the forthcoming November Board Meeting.

Recommendations

- 14.2 The WGG concluded that the questions raised should be part of a more strategic discussion by the Board about its long-term vision for its governance structure in the context of a changing global economic and development landscape and that such a discussion could begin at the November 2014 Board Retreat. The accompanying concept note “Global Fund Governance in the Context of a Changing World” informed the retreat discussion without the goal of providing specific recommendations in this area. The Concept Note provides an overview of the changing global context in which the Global Fund operates. It then reviews current Global Fund by-laws and policy concerning Board and constituency membership, observer status, and the decision-making process/voting structure. Finally, it offers several questions and issues for consideration by the Board.
- 14.3 The outcomes of the Board Retreat discussion will be taken forward by the newly formed Transitional Governance Committee to provide a more in-depth analysis and recommendations at a future Board meeting.

15 IMPLEMENTING THE GOVERNANCE PLAN

- 15.1 The Governance Plan sets out recommendations to the Global Fund Board to further improve its systems and performance in order to achieve a world free of the burden of HIV/AIDS, tuberculosis and malaria with better health for all.
- 15.2 Oversight of the implementation of the Governance Plan is included in the terms of reference for the Transitional Governance Committee, which will provide regular updates on progress to the Board.

15.3 Annex 1 provides a summary of the recommendations and timeline for the implementation of the Governance Plan.

15.4 All recommendations should be in place by the end of the current committee terms in March 2016, when the enhanced governance structure will be put in place and the key governance functions included in the permanent structure.

This Global Fund Governance Plan for Impact is building on all the work done in the past years and can be seen as a natural evolution for the Global Fund which is always changing. Evolution is necessary in order to be an inspiring and reliable partner for both implementers and donors and to always improve on performance. This is key in order to position the Global Fund for the post-2015 world and achieve a world free of the burden of HIV/AIDS, tuberculosis and malaria, with better health for all.

DECISION POINT

1. The Board acknowledges the:
 - a. Observations, options and survey results presented in the advisory report issued by the Office of the Inspector General (the “OIG”) on the effectiveness and efficiency of Global Fund governance, as set forth in GF-OIG-14-008 (the “OIG Advisory Report, Governance Review”);
 - b. Analysis and recommendations presented in the Governance Plan for Impact prepared by the 2014 Ad-Hoc Working Group on Governance, as set forth in GF/B32/08 – Revision 2 (the “Governance Plan”); and
 - c. Related discussions and deliberations during the Board Retreat held in Montreux, Switzerland on 16 – 18 November 2014.
2. Accordingly, the Board notes the recommendations on governance function contained in the Governance Plan and approves:
 - a. The finalization of an enhanced governance structure, to be presented at the November 2015 Board meeting, comprised of the Board, Coordinating Group and the following re-configured standing committees:
 - i. Audit and Finance;
 - ii. Ethics and Governance; and
 - iii. Strategy and Operations.
 - b. Measures to transition the current governance structure to the enhanced governance structure, by the beginning of April 2016, which consists of:
 - i. Establishment of the Transitional Governance Committee, under the terms of reference set forth in Annex 2 to the Governance Plan;
 - ii. Modified responsibilities for the Coordinating Group, as reflected in its amended terms of reference, as set forth in Annex 4 to the Governance Plan; and
 - iii. Maintaining the current allocation of responsibilities among the three standing committees (i.e., Audit and Ethics, Finance and Operational Performance, Strategy, Investment and Impact) until the enhanced governance structure is in place.
 - c. Amended terms of reference for the Chair and Vice-Chair of the Board, as set forth in Annex 5 to the Governance Plan, to reflect the allocation of their shared and individual responsibilities.
3. With respect to cross-cutting activities, the Board approves the recommendations set forth in the Governance Plan regarding the following:
 - a. The Model for managing cross-cutting activities, as depicted in Figure 5 of the Governance Plan;
 - b. Responsibilities for risk management;

- c. Assessment of organizational performance; and
 - d. Reaffirmation of the Partnership Forum with a refocused scope, as outlined in the proposed amendments to the By-laws set forth in Annex 6 to the Governance Plan.
4. Furthermore, the Board approves the recommendations set forth in the Governance Plan for the following areas:
 - a. Transparency of Board and committee votes, including revisions to the Operating Procedures of the Board and Committees set forth in Annex 7 to the Governance Plan;
 - b. Institutional memory management;
 - c. Elevating the implementer voice; and
 - d. Lifecycle management practices as well as constituency management, which shall be overseen by the Transitional Governance Committee described in paragraph 2.b.i of this decision point.
5. In relation to the topic of legal status, the Board decides, noting the unique legal status of the Global Fund, to utilize the transition measures to, and eventual implementation of, the enhanced governance structure outlined in the Governance Plan to facilitate the Board's understanding and determination of the set of norms and standards the Global Fund strives to comply with in its governance and operations.
6. The Board authorizes the Secretariat, in coordination with the Transitional Governance Committee, to amend, restate or develop the relevant governance documents to reflect the implications of this decision point. Such amended, restated or developed governance documents shall be presented to the Board for approval. In doing so, the Secretariat will also propose additional modifications to rules, procedures or structures established under this decision point, which may be required for its implementation, for further approval by the Board.
7. This decision point and its related modifications to governance documents shall take immediate effect upon the date the Board approves this decision point.
8. Finally, the Board notes this decision point marks the conclusion of the work and mandate of the 2014 Ad-Hoc Working Group on Governance, and extends its gratitude and appreciation to the 2014 Ad-Hoc Working Group on Governance, as well as the Office of the Inspector General, for their efforts to produce analysis, observations, options and recommendations to guide the Board in furthering the effectiveness and efficiency of governance matters.

Annex 1: Roadmap of recommendations and timeline for implementation

| Doc Section # | Recommendation Area | Recommendation/Deliverable | Start Date | Lead |
|---------------|-------------------------------|---|-------------------|--|
| 5.11-5.16 | Improved Governance Functions | The Global Fund move to an enhanced governance structure which includes a reconfigured committee structure with a re-alignment of responsibilities around a logical clustering of the skills required and the six core functions of the Board and includes the governance functions not currently allocated in the system. The realigned three-committee structure includes Ethics and Governance, Audit and Finance, and Strategy and Operations committees. | April 1, 2016 | Board |
| 5.17-5.25 | Improved Governance Functions | A Transitional Governance Committee should be put in place until the end of the present committee terms with four key responsibilities: <ol style="list-style-type: none"> 1. Oversight of the key governance functions and advise the Board thereon. 2. Develop a Performance Assessment Framework and oversee the process of assessments of the Board and committees, including assessments of leadership. 3. Finalize the Enhanced Governance Structure for Board approval, including updated roles and responsibilities and three-committee structure 4. Develop the key components of a comprehensive Governance Framework for Board approval. 5. Through a consultative process, develop proposals on the Board's future size and composition in the context of a changing global economic and development landscape as outlined in Annex 9. | November 22, 2014 | Board Leadership/Transitional Governance Committee |
| 5.26 | Improved Governance Functions | At the beginning of their terms, the Board Chair and Vice Chair shall determine between themselves their shared and individual responsibilities to oversee the Board's performance regarding the six core functions as set forth in the By-laws. | November 22, 2014 | Board Leadership |

| | | | | |
|------|--|---|-----------------------------|--|
| 6.3 | Board Oversight of Crosscutting activities | A model for the management of crosscutting issues that will facilitate the holistic and effective oversight of these issues. The model illustrates how the crosscutting issues are presented by the Secretariat to the relevant committees, cross-committee coordination is ensured by the Coordinating Group and the Secretariat Focal point consolidates and presents to the Board for consideration. | November 22, 2014 | Board |
| 6.7 | Risk Management | That the Board has a clear understanding of the risks and opportunities faced by the organization and that this is the responsibility of all the governing bodies, with a key role for the CRO. | November 22, 2014 | Board |
| 6.8 | Risk Management | Risk management responsibilities be refined using the standard model for crosscutting issues as applied in Figure 6 with each level of the governance structure playing a key role. It is important that all committees are involved in and contributing towards the management of risk and that each has a full picture of the risk universe. | November 22, 2014 | Board |
| 6.9 | Risk Management | Inclusion of an annual assurance report to the Board, providing the CRO's independent view on the robustness and effectiveness of the Secretariat's risk management and mitigation steps taken and whether the risk profile is acceptable, is improving or deteriorating. | November 2015 Board Meeting | Chief Risk Officer |
| 6.10 | Risk Management | The independence of the CRO position be maintained. The CRO should continue to report to the Executive Director (ED); however committee leadership should provide input into the annual performance appraisal of the CRO. It is also expected that the CRO will flag any material matters where the ED and CRO have a fundamental difference of opinion. | January 1, 2015 | Chief Risk Officer |
| 6.11 | Risk Management | A training in risk management be actively offered as part the induction provided to Board and committee members. Efforts should also be made to ensure that risk experts are recruited in the committee nomination and selection processes. | November 22, 2014 | Chief Risk Officer/Office of Board Affairs |

| | | | | |
|------|---|--|-------------------|-----------------------------------|
| 6.16 | Assessment of Organizational Performance | The allocation of responsibilities as in Figure 7, based on the standard model for crosscutting issues, which provides a clear path to ensure that the KPIs are effectively considered by the relevant committees and brought to the Board for consideration. | November 22, 2014 | Board |
| 6.17 | Assessment of Organizational Performance | The development of the KPIs to monitor the 2017-2021 Strategy be an integral part of the strategy development process and build on the lessons learned from the current framework. | November 22, 2014 | Secretariat Focal Point for KPI |
| 6.21 | Partnership Forum | The Board reaffirms the importance of the Partnership Forum and that the scope of the Partnership Forum should be focused on and aligned to the development and implementation of the Global Fund Strategy. As the current lead committee for strategy development, the SIIC should be charged with the oversight and coordination of the Partnership Forum as an on-going global stakeholder dialogue that combines online consultations with in-person meetings. The SIIC will be responsible to further develop the Partnership Forum, in terms of form and content, as a platform for ongoing advocacy and progress review linked to the Global Fund Strategy. | November 22, 2014 | SIIC |
| 6.22 | Partnership Forum | Following the transition to the enhanced governance structure, the WGG recommended governance structure places oversight responsibility of the Partnership Forum with the Strategy and Operation Committee. | April 1, 2016 | Strategy and Operations Committee |
| 8.2 | Transparency of Board and Committee Votes | Individual constituency votes at the Board be systematically recorded and a summary report included in the public Board documentation on the website. Votes at the committee level should also be systematically recorded, with a summary report being available on the internal Board Effect website but not released publically. | January 1, 2015 | Office of Board Affairs |
| 8.3 | Transparency of Board and Committee Votes | The instatement of the secure livestreaming of Board meetings, previously done for the Colombo Board Meeting (June 2013). | November 22, 2014 | Office of Board Affairs |

| | | | | |
|------|---------------------------------------|---|--------------------------|--|
| 9.4 | Institutional Memory Management | An annual report to the Board, provided by the Office of Board Affairs, containing the full register of Board decisions and the status of implementation. In addition, any document being put forward for decision should contain a summary of any relevant decision points. The planned improvements for the public database of Board decision points should continue and be resourced appropriately. | January 1, 2015 | Office of Board Affairs |
| 10.3 | Legal Status | The Board make a determination regarding the rules and norms (or standards and practices) that the Global Fund may adopt as internal legislation given its unique legal status. The responsibility to identify, ensure (and oversee) compliance with the applicable rules is not currently explicitly stated/assigned to the Board and/or its governance structures. Under the enhanced governance structure, the responsibility would be allocated to the Ethics and Governance Committee. | November 22, 2014 | Transitional Governance Committee/ Legal and Compliance Department |
| 11.7 | Lifecycle and Constituency Management | Development of Guidelines for Lifecycle Management for Board and Committees which cover guidelines and tools for on- and off-boarding Board and committee leadership and Board and committee members as well as guidelines and best practices for constituency management including nominating and selecting members. | 1 January 2015 | Transitional Governance Committee |
| 12.7 | Elevating the Implementer Voice | The Implementer Bloc presents Strategic Roadmap to enhance Implementer Engagement, including any updates, to the Board for endorsement, including a workplan and budget for support. | March Board Meeting 2015 | Implementer Bloc |
| 12.8 | Elevating the Implementer Voice | The Board should ensure adequate support is provided for the implementation of the roadmap and workplan and the assessment of this implementation. | March 2015 | Board |

Annex 2: Terms of Reference for the Transitional Governance Committee

Purpose

1. At the Thirty-First Board Meeting in March 2014, the Board leadership introduced a proposal for the establishment of an Ad-Hoc Working Group on Governance (WGG) (GF/B31/18). From May to October 2014 the WGG conducted a review aimed to “identify and recommend for Board consideration possible changes in Global Fund governance systems”. The WGG presented its final recommendations in the Governance Plan for Impact for approval at the November 2014 Board Meeting.
2. The purpose of the Transitional Governance Committee is to implement the recommendations outlined in the Governance Plan for Impact (“the Governance Plan”) with the intention of improving the efficiency, effectiveness and consistency of the affairs of the Global Fund Board and its committees. During this transitional period, this committee will have the same standing in the governance system as the current committees.

Background

3. The Board, working through committees and designated focal points has, from the Twenty-Third Board Meeting in May 2011, been closely engaged in governance reform initiatives – based on the recommendations from the Comprehensive Reform Working Group, supplemented by recommendations from the Final Report of the High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms (“High-Level Panel Report”) and by a consultative process conducted by Board leadership.
4. In June 2014, the Office of the Inspector General released its final report of the OIG advisory engagement to review the effectiveness and efficiency of the Global Fund governance.

Mandate and scope

5. The mandate of the Transitional Governance Committee shall commence upon the conclusion of the Thirty-Second Board Meeting and will cease at the end of March 2016, or until the committee structure under the enhanced governance structure, as set forth in the Governance Plan, is fully constituted and operational.
6. The Transitional Governance Committee will focus on the implementation of the recommendations from the Governance Plan and will have four key responsibilities:
 - I. **Oversee the key governance functions** that were identified in the Governance Plan as missing or not currently being performed under the existing structures and needing to be addressed in the upcoming period (e.g.: institutional memory management, review of governance documents, oversight of CCMs matters (e.g.: review of OIG report), legal status issues), and advise the Board thereon.

- II. **Develop a Performance Assessment Framework and oversee the process of performance assessments of the Board and committees**, including assessments of leadership.
 - III. **Finalize the Enhanced Governance Structure for Board approval, including updated roles and responsibilities under the re-configured three-committee structure** based on the preliminary model provided in the Governance Plan.
 - IV. **Develop the key components of a comprehensive Governance Framework for Board approval**, to ensure that the Global Fund has the correct systems, processes and guidance to facilitate effective governance including guidelines for effective lifecycle and constituency management.
 - V. **Through a consultative process, develop proposals on the Board's future size and composition** in the context of a changing global economic and development landscape as outlined in Annex 9 of the Governance Plan for Impact (GF/B32/08 – Revision 2).
7. As part of the work underlying this report, the WGG developed a package of detailed concept notes covering the various workstreams identified in this report that will be provided to the Transitional Governance Committee to inform their work.
 8. The Transitional Governance Committee will work with a wide range of references to meet its mandate, with primary reliance on the following:
 - The Governance Plan for Impact;
 - Review of and benchmarking against industry best practices in both the public and private sector;
 - Oral and written input from constituencies on governance issues, either through formal or informal consultations;
 - The core governance documents (e.g., operating procedures, by-laws and committee charters) as well as other decision points of the Board and its committees or other relevant policies that provide guidance on the standards and practices for governance within the Global Fund.
 9. The Transitional Governance Committee will also build on its own experience and expertise in the field of governance, particularly in relation to other multilateral organizations.

Key deliverables

10. The implementation of the Governance Plan has several key deliverables that should be developed and either in place or put forward for Board approval for the first Board meeting of the year in 2016:

- I. Updated enhanced governance structure:
 - a. Finalize the enhanced governance structure with re-aligned roles and responsibilities for Board approval including the creations of or modification to relevant modifications to key governance documents.
 - b. Support the process of identifying and nominating committee members for the enhanced committee structure for Board approval, through a competency-based nomination process based on experience, credentials and commitment to the organization in accordance with the Board and Committee Operating Procedures.

- II. Performance Assessment Framework:
 - a. Develop a methodology for a Performance Assessment Framework for Global Fund Board and committees, including overall assessment of governing bodies and their leadership.
 - b. Oversee the process of performance assessments of the Board and committees and their leadership for presentation to the Board.

- III. Country Coordinating Mechanisms (CCMs)
 - a. Review results from the 2015 OIG Review on CCMs and provide recommendations to the Board.

- IV. Guidelines for Lifecycle Management for Board and committees including:
 - a. Guidelines and tools on-boarding and off-boarding of Board and committee leadership, Board and committee members.
 - b. Guidelines and best practices for constituency management including:
 - i. Minimum requirements for member selection processes
 - ii. Roles and responsibilities for constituency members
 - iii. Communication principles and modalities.

Establishment, working arrangements and support

- 11. The Transitional Governance Committee will be constituted as a temporary committee commencing its mandate in November 2014 following the Thirty-Second Board Meeting and will be conclude its mandate upon the full constitution and implementation of the enhanced governance structure outlined in the Governance Plan, which is anticipated to be the end of March 2016.

- 12. The Transitional Governance Committee is expected to report periodically to the Board. Using electronic or teleconference means, the Transitional Governance

Committee will provide its progress reports on the implementation of the Governance Plan for Impact to the Board at regular intervals.

13. Working methods of the Transitional Governance Committee (in-person, e-mail, teleconference, etc.) will be determined by members after the election of the Chair. Support for the work of the Transitional Governance Committee will be provided by the Secretariat.
14. Funding for travel and accommodation will be provided to the members of the Transitional Governance Committee by the Global Fund, as needed.

Membership

15. The Transitional Governance Committee will have a total of six (6) voting members – three (3) nominated by implementer constituencies, three (3) nominated by donors constituencies.
16. Members of the Transitional Governance Committee will:
 - a. Be appointed by the Board based on open and transparent procedures set by donors and implementers for their respective group;
 - b. Be comprised of current Board Members, Alternates, Communication Focal Points or Committee members; or previously served as Global Fund Board Members, Alternates, Communication Focal Points or Committee Members; or constituency delegates;
 - c. Have demonstrated experience and knowledge in the field of governance, the implementation of governance reforms or in the performance assessment of governance bodies; and
 - d. Serve on the Transitional Governance Committee in their independent personal capacity and therefore not accept or seek instruction from another party, entity or body in the discharge of their responsibilities.
17. The Chair of the Transitional Governance Committee will be elected by and from among the Transitional Governance Committee members.

Quorum and Voting

18. The Transitional Governance Committee may conduct business only when a majority of the members of the Transitional Governance Committee is present, whether in person or by other means that allows such members to follow and contribute to meeting discussions as they occur in real time.
19. Motions require a two-thirds majority of the voting members that are present, where quorum has been established.

Annex 3: Preliminary model: Enhanced Governance Structure
Functions realigned within 3 committees with updated mandates

| BOARD |
|---|
| Strategy Development & Principles of Grant Making |
| Governance Oversight (Appoint members; establish committees; Select, assess ED/IG) |
| Commitment of Financial Resources (approve funding proposals; approve workplans and budget; Annual report and financial statements) |
| Assessment of Organizational Performance |
| Risk Management (Establish Risk Management Strategy and Risk Tolerance framework) |
| Partnership Engagement/Resource mobilisation/Advocacy |
| Risk oversight |
| * setting the risk management strategy |
| * Review committee oversight of risk |
| * Ensure Cross-committee collaboration on risk |
| * recommend potential modifications to risk registry or assigning new areas of risk oversight |
| * follow-up to Board and Committee Decisions |

| COORDINATING GROUP |
|---|
| Oversight of Institutional performance |
| * Institutional performance (oversight of committee KPI tracking; inter-committee collaboration on KPI reporting) |
| Effective Administration of Governance Processes and Systems |
| * board priorities, agenda setting and communications |
| * appropriate documentation and timely distribution |
| * budget management (reviewing and monitoring resources) of core governance mechanisms (Board Chair, Vice Chair, Board, Committees and advisory bodies) |

| LEGEND OF TERMS |
|--|
| Decision Making Functions: Responsible in making decisions on areas delegated by the Board |
| Advisory: Responsible for reviewing analysis and making recommendations to the Board. |
| Overseeing: Responsible for monitoring key activities thorough reporting mechanisms, such as KPI, evaluations and reports. |
| brown: present functions of the Board blue: present functions of the Coordinating Group purple: present functions SIIC orange: present functions FOPC green: present functions AEC White : new governance functions |

| Strategy and Operations Committee |
|--|
| Decision Making Functions |
| * Strategic Funding Policies |
| * Methodology and KPIs for Assessment of Performance of grant portfolio |
| * TOR advisory bodies |
| * Appointment members advisory bodies |
| * Guidelines/workplans advisory bodies |
| * Frameworks for reprogramming of grants and funding commitments |
| * Methodology and KPIs for assessment of performance in operations |
| * operational policies |
| * policy frameworks to guide development of operational policies |
| Advisory Functions |
| * institutional strategies |
| * modifications to the organization/operations |
| * modifications to funding strategies |
| * strategies for investment impact and value for money |
| * modifications to funding policies on eligibility, prioritization and counterpart financing |
| * modifications to advisory bodies mandates |
| * analyses on key risk areas |
| Oversight functions |
| * grant portfolio |
| * advisory bodies incl. evaluation and assessments |
| * implementation of strategic policies |
| * impact and effectiveness of investments |
| * annual review of disease landscape |
| * annual review of forecasted demand for funding |
| * risk implementations of strategies and initiatives |

| Audit and Finance Committee |
|--|
| Decision Making Functions |
| * Methodology and KPIs for assessment of financial management |
| * Asset and Liabilities Strategies |
| * fiduciary control framework for grant management |
| * risk stratification matrix of countries and territories where GF has grants |
| * human resources policies |
| * selection of external auditor |
| * minimum standards for external auditors of grants |
| Advisory Functions |
| * multiyear budget and cash flow projections |
| * Policy frameworks re: receipt and management contributions |
| * Comprehensive Funding Policy |
| * resource mobilisation strategy |
| * annual operating budget (Secretariat and OIG) |
| * efficiency and effectiveness fiduciary control framework for grant management |
| * efficiency and effectiveness of the risk management strategy; modifications to the risk management strategy |
| * analyses on key risk areas |
| * tolerance in management of fiduciary risks |
| * annual audited financial statements |
| * policies on preparation and presentation of annual financial statements |
| Oversight functions |
| * financial management (annual review of financial forecasts; status of pledges and contributions; Trustee activities; financial management performance against KPIs) |
| * corporate management and operations (annual review of risk assessment and management processes, response to certain audit recommendations, performance against corporate management KPIs) |
| * annual expenditures |
| * resource mobilisation strategies and activities (including replenishment, private sector engagement and innovative funding initiatives, in kind donations) |
| * efficiency and effectiveness of fiduciary controls and financial risk management (incorporation of audit findings, fiduciary obligations of grant recipients, key risk areas, fraud and grant misuse policies) |
| * adequacy and effectiveness of fiscal management policies (foreign exchange, commitment of assets) |
| * strategies for enhancing value for money |
| * corporate administrative policies and activities |
| * production of annual financial statements (activities of external auditors; and accounting and reporting policies used) |
| * secretariat's responsiveness to findings of external auditor |

| Ethics and Governance Committee |
|--|
| Decision Making Functions |
| * Methodology and KPIs for assessment performance OIG |
| * OIGs annual audit and investigation workplan |
| * approval of approaches for releasing and communicating about OIG reports |
| * remedial actions to deficiencies in ethical standards and any ethics-related complaints |
| * waivers related to conflict of interest |
| * secondments of employees |
| * appointment of members of the Sanction Panel |
| * Centerpoint for institutional memory |
| Advisory Functions |
| * mandate and functions of OIG |
| * tolerance in management of ethical risks |
| * effectiveness of communication policies on OIG findings |
| * strategies and guidelines on ethical matters |
| * analyses on key risk areas |
| * performance of Board, Board Leadership, Committees Committee Leadership and support SIIC in assessment of advisory bodies and monitor performance trends |
| * strengthen board constituency engagement (Promote processes for selection of Board Members, identification and nomination of committee members; Monitoring use of constituency funding). |
| * Attract, develop and retain Board talent (framework for induction; continued engagement between meetings; support biennial committee Chair and Vice-Chair selection process) |
| * annual performance assessment of the Board's direct reports (ED / OIG) |
| * nomination and selection of Board Chair, Board Vice-Chair, ED, IG |
| * performance of board members and committee members |
| * review statutes, bylaws, committee charters and other governing documents |
| * Legal Status Issues |
| * CCM guidelines |
| Oversight functions |
| * OIG (performance against KPIs; guidelines; allocation of resources) |
| * compliance by OIG to applicable policies and procedures |
| * identification of key area emerging risks |
| * compliance to ethical guidelines |
| * implementation of codes of conducts from Values and Integrity Framework |
| * adequacy of systems and procedures to adhere to ethical standards |
| * on boarding & offboarding of board members and committee members |

Annex 4: Updated Terms of Reference of the Coordinating Group

TERMS OF REFERENCE OF THE COORDINATING GROUP

A. Role and functions

1. The Coordinating Group of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) provides a visible and transparent mechanism for co-ordination and collaboration between the Board and its committees in regard to the Board’s governance, risk and administration functions. These governance functions involve tasks that require co-ordination and frequent discussions and collaboration.
2. The Coordinating Group carries out its work within the framework of the decision-making authorities of the Board, its Chair, and the committees of the Board as set out in the Global Fund’s by-laws, committee charters, and operating procedures.

B. Areas of work

Oversight of institutional and leadership performance

3. Institutional performance: The Coordinating Group will support the Board’s core function of setting the Global Fund’s performance assessment framework in regard to the organization’s operational and financial performance through:
 - a. Monitoring/tracking routine oversight by the Board’s committees of key performance indicators falling within the specific mandate of each committee;
 - b. For key performance indicators that have a cross-cutting element, ensuring a high-level of inter-committee collaboration to ensure the Board’s ability to assess overall corporate performance through a single information source; and
 - c. As required, making recommendations to the Board on possible adjustments to the performance assessment framework to strengthen Board and committee oversight of performance.
- ~~4. Performance of the Board, Committees of the Board and advisory entities: The Coordinating Group will support the Board’s core function of undertaking routine, robust performance assessments of governance and advisory bodies through:~~
 - ~~a. Supporting the Board’s annual performance assessment survey process of the Board, Committees of the Board, the Board Chair and Board Vice Chair, and the Chairs and Vice Chairs of Committees, based upon key performance indicators and methodologies adopted by the Coordinating Group that facilitate a self-review of performance against best practice;~~

- ~~b. Supporting the routine performance assessment undertaken by the Strategy, Investment and Impact Committee of the Global Fund's advisory bodies (including the Technical Review Panel, the Technical Evaluation Reference Group, and the Market Dynamics Advisory Group), drawing on self-assessment processes of the advisory bodies and best practice indicators for effective advisory bodies;~~
 - ~~e. Comparing the outcomes of routine performance assessments of the Board, its Committees and advisory bodies against previous performance assessments, and reporting to the Board on trends, and, as relevant, recommending to the Board measures to improve performance; and~~
 - ~~d. On behalf of the Board, monitoring implementation of any measures adopted by the Board to enhance overall functioning and performance of the core governance and advisory bodies as required.~~
5. Performance assessment of the Board's direct reports: The Coordinating Group will support the Board's core functions of undertaking routine, robust performance assessments of the Executive Director and the Inspector General, and ensuring effective succession planning through:
- a. Supporting the process of the annual performance reviews of the Executive Director and the Inspector General based upon key performance indicators and methodologies determined by the Board Chair based on consultation with the Board, the Executive Director and the Inspector General, with a focus on ensuring annual benchmarking of performance over time; and
 - b. Managing any nomination, appointment and succession process developed by the Board from time to time.

Risk oversight

The Coordinating Group will support the Board's core function in setting the Global Fund's overall risk management strategy through:

- ~~a. Reviewing Board Committee oversight of the Secretariat's management of the Corporate Risk Register;~~
- b. Ensuring cross-committee collaboration and coordination in the identification and management of risks;
- ~~e. Making recommendations to the Board on potential modifications to the classification and definition of key risks, or adjustments to the corporate risk registry, based on emerging trends; and~~
- ~~d. Where requested by the Board, assigning new areas of risk oversight based on the mandate of the specific Committees.~~

Effective administration of governance processes and systems

6. Board priorities, agenda setting and communications: The Coordinating Group will support the effective and coordinated administration of the Board through:

- a. Supporting the Board Chair and Board Vice-Chair in priority-setting for the Board and its committees, including alignment of committee and Board work plans and agendas, and the comprehensive and rational assignment to specific committees of oversight of Board strategies and initiatives;
 - b. Reviewing follow-up to Board and committee decisions; and
 - c. Instituting effective communication modalities for sharing information, advice and recommendations between the Board and the committees and amongst the committees.
7. Appropriate documentation: The Coordinating Group will support the Board's goal of ensuring relevant and timely dissemination of relevant materials to members in a manner which facilitates timely application of the Global Fund's language policy and optimizes comprehension of the key issues for Board and committee discussion and decision. Within this area of work, key tasks for the Coordinating Group include:
- a. Prioritizing preparation of reports to the Board and the Committees to ensure optimal use of resources in support of Governance structures; and
 - b. Setting standards for achieving an appropriate balance in length and simplicity of documentation to facilitate broad comprehension.
8. Budget management of core governance mechanisms: The Coordinating Group will work in close collaboration with the Secretariat in regard to the annual operating budget of the Board Chair and Board Vice-Chair, the Board, its committees and advisory bodies as part of the regular budgeting cycle overseen by the Finance and Operational Performance Committee. Within this area of work, the tasks of the Coordinating Group will include reviewing and monitoring the resources afforded to the Board and its committees to ensure such bodies receive adequate resources to perform their respective functions effectively.

Constituency functioning and representation

9. Attract, develop and retain talent: The Coordinating Group will support the Board's core function of attracting, developing and retaining Board talent through:
- a. Setting the framework for induction and continued learning initiatives provided to Board and committee members through in-person and other means;

Facilitating continued engagement by Committee members on tasks related to key topic areas between Committee meetings; and
 - b. Supporting the Board Chair and Board Vice-Chair in the biennial Committee Chair and Vice-Chair selection process.
10. Strengthened Board constituency engagement: The Coordinating Group will support constituency engagement in governance processes through:
- a. Promoting transparent and rigorous processes for constituency selection of Board members, based in part upon membership guidelines adopted by the

Global Fund;

- b. Identifying and nominating Committee members for Board approval, through a competency-based nomination process based on experience, credentials and commitment to the organization by the Board Chair and Board Vice-Chair; and
- c. Monitoring the use of constituency funding.

C. Composition and term

- 11. The Coordinating Group comprises the Board Chair and Board Vice-Chair, and the Chair and Vice-Chair of each of the committees of the Board.
- 12. The Coordinating Group may invite the Executive Director, the Inspector General, leadership or members of advisory groups and/or technical experts to attend meetings and/or support Coordinating Group deliberations on matters directly related to the respective functions or expertise of such individuals.
- 13. Members of the Coordinating Group may not designate alternates to attend meetings or participate in deliberations of the Coordinating Group.

D. Reporting and communication

- 14. To facilitate effective collaboration and coordination with the committees of the Board, Coordinating Group members shall regularly communicate feedback, advice and/or recommendations directly to the committees of the Board.
- 15. To ensure transparency in its work, the Coordinating Group will make available at each Board meeting a summary of its key activities since the prior Board meeting, in addition to specific ad-hoc reports that the Board may request from time to time on key topics.

E. Quorum and voting

- 16. The Coordinating Group may only issue formal recommendations or undertake decisions when a majority of members are present.
- 17. The Coordinating Group shall use best efforts to make all recommendations and decisions by consensus. If all practical efforts by the Coordinating Group have not led to consensus, any member of the Coordinating Group may call for a vote. In order to pass, motions require a two-thirds majority of those present.

Updated: 20 November 2014

Annex 5: Updated Terms of Reference of the Board Leadership

TERMS OF REFERENCE

CHAIR AND VICE-CHAIR OF THE BOARD OF THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA¹²

Introduction

The Global Fund's Board is the supreme governing body of the organization, and is represented at the most senior level by two key roles – the Board Chair and Board Vice-Chair (together the “Board leadership”).

Working in the best interests of the Global Fund as a whole, the Board Chair and Vice-Chair have a number of important responsibilities. This includes supporting the Board's strategic focus on its six core functions;¹³ being the public face and primary spokespersons of the Board; and being a source of leadership for the many stakeholders that make up the Global Fund – including implementers, donors, partners, staff, and elected representatives. Operationally, the Board leadership also oversees effective performance management across the Board and its various governance and advisory bodies, and direct reports.

The Board Chair and Vice-Chair serve in their personal capacities as non-voting members of the Board. They bring to their respective roles broad perspective and accumulated wisdom and experience. As representatives of the Board as a whole, they collaborate with management to achieve the strategic vision of the organization, providing broad guidance and input into management's decision-making to assist in implementation of that vision.

The Global Fund's By-laws, Board and Committee Operating Procedures, Committee Charters and Coordinating Group Terms of Reference provide for the role of Board Chair and Vice-Chair, and set out certain elements of the two roles. These Terms of Reference specifically define the Board Chair and Vice-Chair's responsibilities in the context of those underlying governance documents.

¹² GF/B19/DP10, as amended at the Twenty-Second Board Meeting by GF/B22/DP6 and by decision of the Board by electronic vote on 13 December 2012, B28/ER/04, and at the Thirty-Second Board Meeting by GF/B32/DP05.

¹³ As described in Article 7.4 of the Global Fund Bylaws.

I. RESPONSIBILITIES

In accordance with the Global Fund's core governance documents, the Board Chair and Vice-Chair have the following responsibilities:

A. **The Board's Core Functions**

1. ***At the beginning of their terms, the Board Chair and Vice Chair shall determine between themselves their shared and individual responsibilities to oversee the Board's performance regarding the six core functions as set forth in the By-laws.***

B. **Strategic leadership**

1. Setting out a strategic approach for the Board leadership term that assists the Board to perform effectively its core functions.
2. Developing Board priorities and meeting agendas in consultation with Committee Chairs and Vice-Chairs and the Secretariat that facilitate discussions to fulfil the identified strategic priorities;
3. Guiding the alignment of the work plans and agendas of the governing, advisory, co-ordinating and administrative bodies of the Global Fund;
4. Facilitating communication between the Board and the Executive Director, and with other direct reports; and
5. Overseeing all aspects of the Board's functions and deliberations in between meetings.

C. **Governance stewardship**

1. Supporting and guiding the Board in the transparent selection, appointment, assessment and removal, if necessary, of the Executive Director, Inspector General or any other direct appointee;
2. Recommending to the Board the selection of the Chairs and Vice-Chairs of the Board's committees;
3. Collaborating with Board constituencies as well as committee Chairs and Vice-Chairs to identify, attract and recommend for Board approval qualified candidates for committee membership roles;
4. Supporting the Board's nomination and election processes for the selection of successors to the Board Chair and Vice-Chair positions; and
5. Exercising the respective casting votes of the Board Chair and Vice-Chair in the Strategy, Investment and Impact Committee and the Finance and Operational Performance Committee charters, should the committees be unable to reach a decision.

D. **Overseeing institutional performance**

- ~~1. Supporting and guiding the Board and its Committees in the routine performance assessment of the Global Fund's governing, advisory and administrative bodies;~~
1. ***Oversee the process of performance assessment of the Global Fund's committee responsible for governance;***

2. Managing the annual performance assessment of the Executive Director, and providing support to the annual performance assessments of other direct reports to the Board;¹⁴ and
3. Guiding the Board's multi-year strategic deliberations and decisions on how to achieve and assess impact of financial investments.

B. Coordinating risk management

1. Guiding and supporting the Board in its establishment, review and adjustment, if necessary, of the risk management strategy of the Global Fund, including risk classification, tolerance and mitigation; and
2. Leading the ~~Coordinating Group's~~ effective allocation of risk-oversight activities amongst the Committees of the Board.

C. Advocating for the Global Fund

1. Acting as principal spokespersons for the Global Fund Board to advocate, promote and raise funds for the Global Fund and its mission; and
2. Maintaining effective communication and engagement with stakeholders such as partners, donors, implementers and the media to ensure the Board understands and addresses the issues and concerns of its wide and diverse range of stakeholders.

D. Maintaining procedural order

1. Chairing and leading all Board meetings, retreats, executive sessions, teleconferences or communications to the Board through any other mediums;
2. Ensuring adequate time and procedures for informed discussion, consideration and voting on agenda items and decisions of the Board, including reaching clear decisions and overseeing a vote if consensus is not reached; and
3. In accordance with the By-laws and Board and Committee Operating Procedures, acting on behalf of the Board between Board meetings to make immediate decisions where the Board Chair and Vice-Chair determine the nature and urgency of the decision cannot be accommodated by emergency Board meetings, teleconferences or electronic decision points, and reporting to the Board on any such decisions as soon as possible thereafter.

At the commencement of their leadership term, and as may be required routinely thereafter, the Board Chair and Vice-Chair will allocate their time between the various tasks and initiatives to ensure overall effective management and leadership.

¹⁴ This includes, for example, the annual assessment of performance of the Inspector General by the Audit and Ethics Committee.

II. COMPETENCIES

The Board and Committee Operating Procedures¹⁵ set out the following minimum competencies that they should collectively possess:

1. Experience chairing or leading decision-making bodies comprised of diverse stakeholders in either the public, civil society, or private sector;
2. Experience and skill in organizing and facilitating discussions, building consensus, and mediating disputes among diverse stakeholders;
3. Experience with strategic planning, implementation and problem-solving;
4. Knowledge of the Global Fund's purpose, governance structure and strategy;
5. Leadership experience in a governance or management capacity for entities from either the public, civil society, or private sector;
6. Experience and skill in reading financial statements, budgets and reports to analyse and assess the implications of such documents;
Experience conducting risk assessments and developing mitigation strategies in either the public, civil society, or private sector;
7. Expertise in some or all of the following areas: advocacy, public health, international finance, international development, diplomacy, negotiations and fundraising;
8. Able to demonstrate discretion and professional ethics with respect to private and confidential matters;
9. Able to communicate clearly, concisely and persuasively and listen attentively and respectfully to other stakeholder views;
10. Able to act, think and speak independently with conviction and confidence; and
11. Fluent in written and spoken English (with additional languages beneficial).

III. SELECTION AND TERM

The Board selects its Chair and Vice-Chair in accordance with the By-laws and Board and Committee Operating Procedures.

The Chair and Vice-Chair serve coinciding two year terms, or until the appointment of their respective successors. To ensure diversity and equity in the Board leadership team, the positions alternate every two years between individuals who originate from and bring the experience of, respectively, the implementer and donor blocs.¹⁶ Once appointed, however, the Chair and Vice-Chair act only in the best interest of the Global Fund as a whole. Specifically, they must not represent any particular bloc, constituency, Board voting group or other stakeholder.

IV. TIME COMMITMENT

The Board Chair and Vice-Chair should be prepared and able to dedicate between one and two working days per week to Global Fund matters. This commitment may not be uniformly distributed throughout the calendar year. For example, Board, Committee and Coordinating Group meetings, as well as periods before and after such meetings, may require the Board Chair and Vice-Chair to commit full capacity to Global Fund matters for several consecutive

¹⁵ Reproduced from Table 4 in Annex 1 to the Global Fund's Board and Committee Operating Procedures.

¹⁶ As described in Article 7.6 of the Global Fund Bylaws.

days. The Board Chair and Vice-Chair should also be prepared and able to commit additional time in exceptional circumstances.

The Board Chair and Vice-Chair shall communicate regularly with Committee Chairs and Vice-Chairs, Board Members, the Secretariat, partners and other stakeholders between Board Meetings. Additionally, the Board Chair and Vice-Chair should be prepared and willing to travel as representatives of the Global Fund, in some cases to locations with security, economic and infrastructural challenges.

An honorarium may be provided to the Board Chair and Vice-Chair in accordance with the level of effort estimated for this role.

Annex 6: Updates to Partnership Forum sections of the by-laws

Article 6. Partnership Forum

6.1 Purpose and Composition

The Partnership Forum ~~shall be convened periodically in order to~~ **is an ongoing process linked to the Global Fund Strategy providing** persons and entities concerned about the prevention, care, treatment and eventual eradication of HIV/AIDS, tuberculosis and malaria, a forum to express their views on the Global Fund's policies and strategies.

Participation in the Partnership Forum shall be open to a wide range of stakeholders that actively support the Global Fund's objectives, including representatives of donors, multilateral development cooperation agencies, developed and developing countries, civil society, nongovernmental and community-based organizations, technical and research agencies, and the private sector.

6.2 Functions

The Partnership Forum will:

- ~~Review progress based on reports from the Board and provide advice to the Global Fund on general policies~~
- **Provide input into the development and implementation of the Global Fund Strategic Plan**
- Provide an important and visible platform for debate, advocacy, continued fundraising, and inclusion of new partners **for the development of the Strategic Plan**
- ~~Mobilize and sustain high level coordination, political commitment and momentum to achieve the Global Fund's objectives; and~~
- ~~Provide a communication channel for those stakeholders who are not formally represented elsewhere in the governance structure.~~

6.3 Frequency and notice of meetings

The Partnership Forum ~~(will meet every 24 to 30 months.)~~ **is an ongoing process of consultation that will be coordinated and convened as deemed appropriate by the committee charged with overseeing the development and implementation of the Global Fund's strategy.**

Annex 7: Transparency of Board and committee votes – Corresponding Amendments to the Operating Procedures

A. BOARD MEMBER REPRESENTATION

4.2. In general, there will be video transmission of Board proceedings to a controlled-access room, ***or through password-protected online streaming*** for use by the additional delegation and Secretariat members who do not have access to the Board meeting room unless the Board decides to meet in closed Executive Session.

Annex 8: List of Consultations

| Individual Consultations | |
|--------------------------|--|
| Name | Relationship to Global Fund |
| Christoph Benn | TGF, Head, External Relations |
| Karmen Bennett | Former Senior Advisor to the Chair of the Board |
| Raegan Boler | TGF, Specialist, Board Projects, Office of Board Affairs |
| Sarah Boulton | DFID Multilateral Aid Review Adviser |
| Joseph Chiu | TGF, Manager, Legal and Compliance |
| Mark Dybul | TGF, Executive Director |
| Harley Feldbaum | TGF, Head, Strategy and Policy |
| Mireille Guigaz | Vice Chair of the Board |
| Paula Hacopian | TGF, Former Manager, Office of Board Affairs |
| Penninah Iutung | President, Uganda Cares |
| Hristijan Jankuloski | FOPC, Member, Director, Healthy Options Project Skopje - MACEDONIA |
| Graham Joscelyn | AEC, Chair |
| Jennifer Kates | Alternate Board Member, Private Foundations |
| Genc Kastrati | TGF, Associate Specialist, Web Development |
| Cees Klumper | TGF, Chief Risk Officer |
| Aida Kurtovici | Former Board Member, EECA, Former Coordinator of Implementer Bloc |
| Jason Lane | SIIC Member |
| Jason Lawrence | FOPC Vice-Chair |
| Allan Maleche | Executive Director of KELIN |
| Soltan Mammadov | FOPC, Chair |
| Etienne Michaud | TGF, Senior Strategy & Policy Manager, Office of the Inspector General |
| John Monahan | Former Vice Chair, FOPC |
| Nafsiah Mboi | Chair of the Board |
| Gulen Newton | TGF, Head, Legal and Compliance |
| Martin O'Malley | TGF, Inspector General |
| Rachel Orr | TGF, Associate Specialist, AEC, Office of Board Affairs |
| Jan Paehler | Alternate Board Member, European Commission, SIIC Member |
| Jean Paul Proulx | Consultant, Ethics and Integrity Framework |
| William Steiger | Co-Leader of the HLP Support Team, Former Board Member |
| Mirta Roses | Alternate Board Member, Latin America & Caribbean, SIIC Member |
| Claude Rubinowicz | AEC, Vice-Chair |
| David Stevenson | SIIC, Chair |
| Todd Summers | Former Chair of the SIIC |
| Shu-Shu Tekle-Haimanot | TGF, Senior Specialist, Advocacy and Partnerships |
| Robert Thomson | TGF, Specialist, Board Constituencies, Office of Board Affairs |
| Michael Weinstein | President of AIDS Healthcare Foundation |
| Marijke Wijnroks | TGF, Chief of Staff |
| Loretta Wong | Board Member, Developing Country NGOs, Coordinator, Implementer Bloc |
| Freemont Centre | Independent evaluation of the 2011 Partnership Forum |

| Group Consultations | Date |
|--|-----------------------|
| Conference Calls with GF Board Members, Alternate Board Members, Board Focal Points and Coordinating Group Members | September 3, 2014 |
| Donor Bloc | October 10, 2014 |
| Implementer Bloc Retreat | October 12, 2014 |
| MEC Members | October 13 & 15, 2014 |
| Non-Voting Partners | October 15, 2014 |

Annex 9: Board Retreat Discussion Paper: Global Fund Governance in the Context of a Changing World

GLOBAL FUND GOVERNANCE IN THE CONTEXT OF A CHANGING WORLD

Discussion Paper for 2014 Board Retreat

INTRODUCTION

The Ad-Hoc Working Group on Governance (WGG) was established by the Global Fund's Board at its Thirty-First Board Meeting in March 2014. The purpose of the WGG is "to identify and recommend for Board consideration possible changes in the Global Fund governance system with the intention of improving efficiency, effectiveness, unity and equity in conduct and management of the affairs of the Global Fund Board and its Committees, in line with the mission, needs and work of the Global Fund."¹⁷ To do so, the WGG was asked to review a range of documents, including the findings of the OIG Governance Advisory Review; the work of the sub-committee of the Audit and Ethics Committee on a new Ethics Framework; oral and written input from constituencies on governance issues; organizational operating procedures, by-laws and charters; and other historical documents.

On 9 July 2014, the donor bloc submitted a request to the WGG to consider, as part of its work plan, the issue of integrating new members onto the Global Fund's Board and to provide recommendation(s) back to the donor bloc prior to the forthcoming November Board Meeting. The WGG agreed to consider this request but concluded that the questions raised required a more strategic discussion by the Board about its long-term vision for its governance structure in the context of a changing global economic and development landscape (see below). Therefore, the WGG decided to prepare a concept note to inform such a discussion but not to provide specific recommendations to the Board.

The WGG does recommend that the results of the Board discussion be taken on by the newly formed Transitional Governance Committee (or its equivalent) to provide a more in-depth analysis and recommendations to the Board.

The concept note follows. It first provides an overview of the changing global context in which the Global Fund operates. It then reviews current Global Fund by-laws and policy concerning Board and constituency membership, observer status, and decision-making process/voting structure. Finally, it offers several questions and issues for consideration by the Board.

In approaching this issue, the WGG is cognizant that the Global Fund has also convened a Working Group on the Development Continuum, which has been asked to consider how the Global Fund can most effectively invest its resources in the post-2015 era. It too is being driven by the same underlying question of how the Global Fund can best operate in a changing world. In its case, it seeks to assess the implications of a changing world for the

¹⁷ Terms of Reference of the 2014 Ad-hoc Working Group on Governance (GF/B31/ERO6)

Global Fund’s programming and financing model. We seek to assess its implications for the Global Fund’s governance structure.

BACKGROUND

When first created more than a decade ago, the Global Fund represented an innovation in development financing, both from a governance and programming perspective.¹⁸ The Global Fund has helped to contribute to a massive scale-up in health assistance and a reshaping of the global health architecture of aid. Today, however, the Global Fund is at an important juncture, facing critical and challenging questions about how it best operates in a changing world. Indeed, the economic and development landscape has changed significantly in the last decade, characterized by rapid economic growth for many low- and middle-income countries, the move by several to begin funding both their own and international health efforts, and the flattening of traditional donor assistance. Specifically, these interrelated changes include the following:

- a. **Flattening of traditional donor assistance:** After a decade of rapid increases, financial crises have slowed growth in donor funding for health, with many implementing austerity measures, and slowing and even decreasing aid flows to some health sectors.
- b. **New and emerging donors:** At the same time, a range of new actors have joined traditional donors in providing health assistance either through traditional contributions or by implementing South-South collaborations. A recent study, for example, estimated aid flows from non-DAC donors to be between \$11 billion and \$42 billion (or 8-31% of gross ODA).¹⁹ In some cases, countries are both donors to and recipients of Global Fund resources.
- c. **Transition from low- to middle-income status:** Since 2000, approximately thirty countries have graduated from low- to middle-income status and several others have moved to high-income status.²⁰ Private capital flows and remittances to developing countries are now significantly greater than total ODA flows.²¹
- d. **Increasing use of domestic resources:** Economic growth in Africa and Asia is, in many cases, increasing sustainable domestic resources for health and several middle-income countries have begun to increase their own spending and to implement health insurance plans.
- e. **Shifting locus of poverty:** Approximately 70% of the world’s poor now live in middle-income countries. However, extreme poverty is much more highly concentrated in a smaller number of countries, particularly in sub-Saharan Africa and within the region’s fragile and post-conflict states.²²
- f. **Growing role of civil society:** Over this period, civil society and NGOs have played a growing role in the development sector for health, particularly in working to deliver health services in fragile states; to reach key populations, including MSM, sex workers and IDUs; and in global advocacy.

¹⁸ H. Kharas and J. McArthur, “Financing Global Health Impact in a Changing Development Landscape”, Discussion Paper prepared for the Global Fund’s Development Continuum Working Group, September 2014.

¹⁹ J. Walz and V. Ramachandran, “Brave New World: A Literature Review of Emerging Donors and the Changing Nature of Foreign Assistance”, Center for Global Development, Working Paper, 273, November 2011.

²⁰ Per World Bank income classifications, based on analysis of data through 2013, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/OGHIST.xls>.

²¹ See, for example, United Nations, “World Economic Situation and Prospects 2014”.

²² Kharas and McArthur, September 2014.

This changing landscape is blurring the lines between traditional donors and recipients, and raising questions about some of the fundamental governing principles and structures upon which the Global Fund was founded. As the Global Fund looks to position itself strategically for the future, important questions should be raised about how best to account for these changes in the Global Fund's governance structure. These include questions about the Global Fund's Board composition and constituencies, as well as its voting bloc structure, both of which are now more than 10 years old.

THE GLOBAL FUND'S GOVERNANCE STRUCTURE TODAY

The Global Fund's by-laws define the composition of the Board, specifying the number and composition of each seat with voting power. Additional guidance is provided in Operating Procedures of the Board and Committees and the Governance Handbook.

Board and constituency composition

The Global Fund's by-laws (Article 7.1) state that the Global Fund Board shall be comprised of twenty voting members as follows:

- Seven representatives from developing countries, one representative based in each of the six World Health Organization (WHO) regions and one additional representative from Africa;
- Eight representatives from donors; and
- Five representatives from civil society and the private sector (one representative of a nongovernmental organization from a developing country, one representative of a nongovernmental organization from a developed country, one representative of the private sector, one representative of a private foundation, and one representative of a nongovernmental organization who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria).

These twenty voting seats are further separated into a donor bloc of ten seats (eight donor government seats, a private sector seat, and a private foundations seat) and an implementer bloc of ten seats (seven developing country seats, two NGO seats, and a community seat). This separation is premised on the idea that donors and implementers are wholly separate groups, based primarily on whether they are donors to or recipients of aid.

Because the twenty voting seat structure is set in the by-laws, the number of Global Fund Board members is fixed. The only way for additional institutions or representatives to gain Board seat representation is to join an existing Board constituency. However, there are no formal guidelines or policies in place regarding consideration of new Global Fund Board constituency members. Rather, these are determined by each constituency itself. As stated in the Global Fund's by-laws (Article 7.2):

Each group mentioned in Article 7.1 of these by-laws will determine a process for selecting its Board representation, with reference to the minimum standards for selecting Board members and Alternate members that may be established from time to time by the Board.

The donor bloc has developed a seat allocation framework for public donors (Attachment A). Implementer representation is largely tied to regional location and financial eligibility for Global Fund support, and a more formal seat allocation framework has not been developed.

Observer status

There are cases in which observer status can be granted for attendance at a Global Fund Board meeting. This can include individuals or organizations that are invited by existing delegations under defined limits as specified by the Global Fund, as well those who are not included as part of an existing delegation. As specified in the Operating Procedures of the Board and Committees (November 21, 2011):

- “In addition to the Board member, Alternate member and Communications focal point, delegations to Board meetings may include additional delegates, advisers and/or observers, provided, however, that the total delegation will normally not exceed ten persons, no more than five of whom shall be in the room in which a Board meeting is taking place at any one time.”
- The Board Chair may invite guests to Board meetings at such times and for such purposes as he or she deems appropriate.

The Governance Handbook further defines observers:

- “Observers are normally persons who are not linked to constituency members, are involved in the work of the Global Fund in an advisory capacity (e.g. Technical Review Panel or Technical Evaluation Reference Group leaders) or are intimately linked to resource mobilization or other core activities. Observer status is valid for the meeting for which the status is granted, though individuals or organizations may be granted observer status on more than one occasion” (Global Fund Governance Handbook, Chapter 8, Board Operations, May 2014).

Decision-making and voting

Intimately related to the Global Fund Board’s bloc structure is its decision-making process. Per Article 7.6 of the by-laws:

- “In order to pass, motions require a two-thirds majority of those present of both: a) the group encompassing the eight donor seats, one private sector seat and one private foundation seat; and b) the group encompassing the seven developing country seats, the two nongovernmental organization seats, and the representative of a nongovernmental organization who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria.”

In addition, the by-laws contain a “blocking minority” provision, allowing a minority of voting members from either of the two blocs to object to a motion:

- “Notwithstanding the foregoing, the Board may decide to take action on a no-objection basis. On such basis, and subject to procedures set by the Board, a motion shall be deemed approved unless four Board members of one of the voting groups described above objects to the motion, except that a motion not to make a funding commitment shall be deemed approved unless four Board members of each of the voting groups described above object to the motion.”

THE GLOBAL FUND'S GOVERNANCE STRUCTURE FOR TOMORROW

The governance model described above was initially developed to foster an “inclusive governance structure”²³ and to help institutionalize the voice and representation of implementers and communities on the Board. It was developed at a time when there was great need for scale-up of global health assistance for HIV, tuberculosis, and malaria in many countries, and when there were much more defined lines between donors to and recipients of aid. Now, however, more than ten years later, given the geopolitical and economic changes that have already occurred and are projected to occur in the future, it may be time for the Board to revisit them. Should, for example, these larger changes be reflected in the Board's size and composition? Should its voting rules be reconsidered? Are there new ways in which to provide voice and representation to countries that are moving along the developing continuum?

KEY QUESTIONS FOR A NEW ERA

Going forward, there are three broad and interrelated questions that could be considered by the Board:

- 1. The global landscape has changed significantly since the Global Fund was first established. Should these changes be reflected in the Global Fund's Board size and composition and, if so, what are possible ways of doing that?**
 - Should the number of voting Board seats be changed?
 - Should the composition of the Board be reconsidered?
 - Are separate implementer and donor blocs still relevant and helpful for effective governance?
 - Are there other structural models for the Board to explore?
- 2. Is the current voting system appropriate for the Global Fund of the future?**
 - Has the double two-thirds voting requirement proved effective in supporting decision-making? What about going forward?
 - What about the blocking minority provision?
- 3. Is the current observer status policy sufficient for including potential new Board members as meeting attendees or should it be modified?**
 - For example, are there other ways to provide representation to potential new members, as they move along the development continuum?

²³ 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, September 2011, p. 3.

Annex 9: Attachment A: Donor seat allocation framework

The donor seat allocation framework lays out a process for calculating individual donor shares according to a formula that applies weighted values to contributions and pledges in the current replenishment period and to contributions in the two most recently completed replenishment periods. The formula also sets thresholds to guide a sequential allocation of seats to individual public donors and groups of public donors according to their weighted shares.

According to the framework, the process for allocating seats is as follows:

- Any public donor constituency (individual or grouped) with a weighted share of 12.5% or higher is guaranteed a voting seat.
- Once all constituencies meeting the 12.5% threshold are granted seats, the sum total of remaining shares is divided by the number of remaining seats to determine a new threshold. All individual or grouped constituencies meeting that new threshold are granted seats and the process repeats until all eight seats are allocated.
- Any public donor contributing at least \$3 million or 1/5,000 of its GDP annually is eligible to join a public donor constituency.

Seat allocations will be re-visited every three years, prior to the first Board meeting of the year following the first year of a Global Fund replenishment period. The next regular seat reallocation will take place in early 2015.

When a new eligible donor expresses an interest in joining the donor bloc, the framework states that the donor group should take steps to find a constituency for the new donor to join based on mutual consent, the principle of like-mindedness, and relevant minimum thresholds (acknowledging that constituencies with lower shares may be able to accommodate new donors).