

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

## Report of the Coordinating Group

GF/B38/14

14-15 November 2017, Geneva, Switzerland

### **Board Information**

Purpose of the paper: to provide the Board Members with an update on the work of the Coordinating Group in fulfilling its mandate, focusing on activities since the appointment of the Chair and Vice-Chair of the Global Fund Board at the 37<sup>th</sup> Board Meeting in Kigali, Rwanda in May 2017.

# Executive Summary

## Context

1. This report, provided biannually, provides an update to the Board on the activities of the Global Fund Coordinating Group (“CG”). The CG, as identified in its Terms of Reference (Annex 1.), is a mechanism for work coordination between the Board and its Committees, to ensure effective collaboration across the Board Committees and linkages between different work streams, particularly with regard to cross-cutting issues. The Coordinating Group meets approximately every six weeks, and its work is guided by a two-year workplan (Annex 3.)
2. The following Annexes are included to this report: 1) Coordinating Group Terms of Reference (ToR); 2) List of decisions adopted by the standing Committees between the 37<sup>th</sup> and 38<sup>th</sup> Board meetings; and 3) High-Level Coordinating Group Work Plan.

## Questions this paper addresses

3. This report outlines the main areas of work of the CG since May 2017, summarizes discussions and deliberations, and reflects on the priorities in the remainder of the CG’s tenure, before the new Committees’ leadership is nominated in December 2017 and taking up office in May 2018.

## Conclusions

4. The report focuses on the CG’s work in two main areas:
  - i. **Increasing effectiveness of the governing bodies**, including through the activities defined in the Governance Action Plan (“GAP”) which fall under the CG mandate. These include setting prioritized work plans and strategic agendas for Board and Committee meetings, increased focus on management of cross-cutting matters, ensuring operational improvements and effective Board and Committee documentation and information-sharing.
  - ii. **Advancing work streams which are cross-cutting**, specifically, the risk appetite framework.

## Input Sought

This report is for the Board’s information.

## I. A New Board Leadership

5. **Board Leadership Priorities.** Following their appointment in May 2017, the Board Leadership communicated its joint vision of the Global Fund achieving maximum impact through defining a set of key priorities for 2017-2019. These priorities include an increased focus on sustainability and transition, innovative financing, strengthened collaboration with public and private donors, laying a strong foundation for the 2019 Replenishment, optimization of the governance structure by broadening the donor base and enhanced level of trust and transparent communication among all stakeholders. In order to follow key priorities set and achieve concrete results, the Board Chair and Vice-Chair have allocated a lead between them for each of the six core functions of the Board, as per table 1. below.

**Table 1.** Allocation of the Board Leadership’s lead responsibilities over the Board’s functions.

The core functions of the Board	Lead
<b>I. Strategy development</b>	Chair of the Board
<b>II. Governance oversight</b>	
<b>III. Assessment of organizational performance</b>	
<b>IV. Commitment of financial resources</b>	Vice-Chair of the Board
<b>V. Risk Management</b>	
<b>VI. Partnership engagement, resource mobilization and advocacy</b>	
<i>Executive Director Selection Process</i>	Vice-Chair of the Board
<i>Performance Assessment of Board Direct Reports</i>	Chair of the Board

6. The CG plays a key role in ensuring that the work of the committees supports the achievement of these priorities and is in line with the directions provided by the Board. The main areas of focus for the CG have been (1) increasing the effectiveness of the governing bodies and (2) the evolving work around Risk Appetite.

## II. Effectiveness of the governing bodies

7. The Coordinating Group has continued to maintain an increased focus on strengthening the coordination and collaboration between committees and ensuring that key issues are being raised to the Board for informed decision-making and discussion.

### Governance Action Plan

8. **Governance Action Plan (“GAP”)**<sup>1</sup>. The CG has reviewed and discussed the Governance Action Plan, a working tool developed under the guidance of the Ethics and Governance Committee (“EGC”) in response to the recommendations and observations arising from the *2017 OIG Advisory Review on Governance* and *2016 Board Annual Performance*

<sup>1</sup> The Governance Action Plan is available on the [OBA Portal](#).

*Assessment.* It is a planning and monitoring tool to define, coordinate and prioritize concrete actions to enable monitoring of governance improvements. The GAP identifies six priority thematic areas:

- a. Board size, structure and composition in a changing landscape
  - b. Ethical decision-making and managing Board-related conflicts of interest
  - c. Succession planning & selection processes
  - d. Leveraging the role of committees
  - e. Elevate Board discussions
  - f. Cultural change to enhance Board effectiveness (overarching theme)
9. A number of action items in the GAP fall under the responsibility of the Coordinating Group. Specifically, these relate to the thematic area of elevation of Board discussions, as follows: a) prioritized work plans and strategic agendas; b) effective Board and Committee documentation; c) effective management of cross-cutting matters; and d) effective information-sharing and consultation. The paragraphs below outline the CG's progress to date, and next priorities, in these areas.

## **A. Prioritized Workplans and Strategic Agendas**

10. **Committee Meetings.** In advance of the committee meetings held in June/July and October 2017, the CG advised on the strategic focus of meeting agendas, provided coordination across cross-cutting issues and ensured alignment with respective Committee work plans and focused on elements that would be coming to the Board meetings for decision. Annex 2 to this report provides a list of decisions adopted by the standing Committees between the 37th and 38th Board meetings.
11. **Agenda setting for the 38<sup>th</sup> Board Meeting.** The Coordinating Group agreed on principles for Board agenda development, focused on strategic decision-making and leveraging the role of the committees. Consideration of these principles led to more prioritized agenda, allowing time for topics of strategic importance. In support of this vision, the Board Leadership 's ambition for the pre-Board day is that it serve as a forum for interactive discussions on topics currently under development at committee level, and which will be brought to the Board in the future. In addition, the leadership of each committee will brief the Board on their respective work, focusing on those streams that will come forward for future Board decision, and noting timelines and mechanisms for consultation and input from constituencies. This focus is aimed at raising Board awareness around upcoming topics for its consideration.
12. **Results of Committee Self-Assessment.** The results of the committee self-assessments across all three committees showed that overall, there is a clear level of satisfaction with the ways of working of the committees and a positive trend of committee members assessment of meeting quality. Identified areas for improvement included (1) document quality and timeliness; (2) a more inclusive approach towards non-represented constituencies and mechanisms for input; and (3) equality of workload between Committee Chairs and Vice-Chairs. The concerns raised reflect work streams under way in the context of the GAP, and are being addressed.

## **B. Effective Board and Committee Documentation**

13. **Effective Board and Committee Documentation.** The CG supports the redesign of templates for Board and committee documentation, aimed at providing concise, focused material, clearly indicating the Board's role, and leveraging committee deliberations. This new approach is being piloted at the 38<sup>th</sup> Board Meeting. Feedback will be sought from the Board Members, following the November 2017 Board meeting.

## **C. Effective Management of Cross-Cutting Matters**

14. **Management of cross-cutting matters.** The CG, under its mandate, is currently responsible for the allocation of emerging areas, including cross-cutting issues, and assigning them to a committee. In line with ongoing efforts to improve the oversight and management of cross-cutting issues, the CG has agreed that cross-cutting matters should be managed through the system of a lead committee. As such, cross-cutting items have been allocated to a Lead Committee responsible for ensuring effective coordination with the other committees, to receive timely and relevant input before an item reaches the Board. Allocation of specific cross-cutting matters to a lead committee is currently under review of the CG.

## **D. Effective Information-Sharing and Consultation**

15. The CG and the committees remain committed to ensuring effective information-sharing and consultation, and have held regular consultation calls with constituencies around decision items in preparation for committee and Board meetings. An *Update to the Board* outlining key governance related activities by Board Leadership and the committees is issued on a two-month basis. In the context of the GAP, the CG will continue to work to strengthen consultation and information-sharing modalities.

## **III. Key Cross-Cutting Work streams - Risk Appetite**

16. With regard to work on defining the overall Risk Appetite being led by the Audit and Finance Committee, the CG agreed that each committee will be responsible for a sub-set of the risks in the Organizational Risk Register ('ORR') related to their respective mandate (Table 2). A session on Risk Appetite will be held on the Pre-Day of the Board in preparation for the upcoming decision in this area, targeted for May 2018.

**Table 2.** Allocation of the risks among three standing Committees.

	<b>Key Risks in ORR</b>	<b>Potential Committee Owner</b>
1	Program Quality and Efficiency	Strategy Committee
2	Strategic Data Quality and Availability	Strategy Committee
3	Procurement	Strategy Committee
4	Supply Chain	Strategy Committee
5	Quality of Health Products	Strategy Committee
6	Human Rights and Gender Inequality	Strategy Committee
7	Transition	Strategy Committee
8	Drug and Insecticide Resistance	Strategy Committee
9	Grant-Related Fraud & Fiduciary	Audit and Finance Committee
10	Financial Capacity and Reporting by Countries	Audit and Finance Committee
11	Grant Oversight and Compliance (at PR Level)	Audit and Finance Committee
12	Internal Operations	Audit and Finance Committee
13	Integrated Processes, Systems and Tools	Audit and Finance Committee
14	Risk Management and Internal Controls	Audit and Finance Committee
15	Foreign Exchange	Audit and Finance Committee
16	Staff Health	Audit and Finance Committee
17	Future Funding	Audit and Finance Committee
18	Privileges and Immunities	Ethics and Governance Committee
19	Governance and Oversight	Ethics and Governance Committee
20	Ethics	Ethics and Governance Committee
21	Organizational Culture	Board
22	Reputation	Board

**Internal Risk**

**Grant Facing Risk**

## IV. What's next? Coordinating Group Priorities

17. The Coordinating Group will continue to maintain its focus on effective coordination and strengthening governance effectiveness, through:
  - i. elevating Board discussions
  - ii. ensuring alignment and clarity around management of cross-cutting matters, and
  - iii. advancing cross-cutting work on Risk Appetite
  - iv. overseeing key financial (AFC) and operational performance issues.
  
18. To further advance the work on management of cross-cutting matters, the CG will provide its input and feedback on the proposed definition of the role and responsibilities of a lead committee, review the universe of the Global Fund policy for any further cross-cutting issues, consider if relevant procedural modifications are needed to facilitate this work stream and take the necessary measures to operationalize the new lead committee roles among three standing committees.
  
19. Following the Board's decision to appoint the next Executive Director, the Coordinating Group will focus on ensuring a smooth transition of the interim Executive Director, contributing to successful onboarding of a new leader of the organization, and actively participate in necessary arrangements.

## **V. Annexes**

Annex 1. Coordinating Group Terms of Reference (ToR)

Annex 2. List of decisions adopted by committees between the 37th and 38th Board meetings

Annex 3. High-Level Coordinating Group Work Plan

## **TERMS OF REFERENCE OF THE COORDINATING GROUP**

28 April 2016<sup>1</sup>

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<sup>1</sup> Approved by the Board on 28 January 2016 (GF/B34/EDPo7) and effective after the conclusion of the 35<sup>th</sup> Board Meeting held on 26 – 27 April 2016.



## **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 coordination and collaboration between the Board and the Committees of the Board, including, among other areas of work, ensuring collaboration across the committees with respect to cross-cutting matters, including risk management and organizational performance, and any other responsibilities as may be directed by the Board.
2. The Coordinating Group carries out its work within the framework of the decision-making authorities of the Board, its Chair and Vice-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 performance***

3. 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 strategic, 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.

### ***Risk oversight***

4. The Coordinating Group will support the Board’s core function in setting the Global Fund’s overall risk management strategy through ensuring cross-committee collaboration and coordination in the identification and management of risks.

### ***Effective administration and coordination of processes and systems***

5. Board priorities, agenda setting and communications: The Coordinating Group will support the effective and coordinated administration of the Board through:
  - a. Supporting the Chair and Vice-Chair of the Board 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.

6. Appropriate documentation: The Coordinating Group will support the Board's goal of ensuring relevant and timely dissemination of relevant materials to Board and Committee 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.
7. Membership engagement: The Coordinating Group will support the selection of Committee Members and facilitation of Committee functions by:
  - a. Consulting with the Chair and Vice-Chair of the Board on the potential candidates identified to serve as Committees Members, prior to the Chair and Vice-Chair of the Board presenting the selected candidates to the Board for approval; and
  - b. Facilitating continued engagement by Committee Members on tasks related to key topic areas between Committee meetings.

#### **C. Composition and term**

8. The Coordinating Group comprises the Chair and Vice-Chair of the Board, and the Chair and Vice-Chair of each of the Committees of the Board.
9. 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.
10. Members of the Coordinating Group may not designate alternates to attend meetings or participate in deliberations of the Coordinating Group.

#### **D. Reporting and communication**

11. 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.
12. 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**

13. The Coordinating Group may only conduct business when a majority of members are present.
14. 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.

## Annex 2.

### Decisions adopted by the three Standing Committees between the 37th and 38th Board meetings

<b>Decision Points approved by the SC between 37th and 38th Board Meetings</b>	
<b>DP ref. No.</b>	<b>Title</b>
<b>4<sup>th</sup> SC Meeting, 21-23 June 2017</b>	
GF/SC04/DP01	TERG Documents Procedure
GF/SC04/DP02	Approval of the Prioritization Framework for Funds Becoming Available for Portfolio Optimization and Financing Unfunded Quality Demand
<b>5<sup>th</sup> SC Meeting, 11-13 October 2017</b>	
GF/SC05/DP01	TERG Documents Procedure
GF/SC05/DP02	TERG: Acknowledgement of Strategic Review 2017
GF/SC05/DP03	TERG Annual Work Plan 2018 and TERG Membership Recruitment Process
GF/SC05/DP04	2017-2022 Strategic KPI Frameworks: Proposed Performance Targets
<b>Decision Points approved by the EGC between 37th and 38th Board Meetings</b>	
<b>4<sup>th</sup> EGC Meeting, 11-12 July 2017</b>	
GF/EGC04/DP01	Approval of the 4 <sup>th</sup> Ethics and Governance Committee Meeting Agenda
GF/EGC04/EDP01	Global Fund Honorarium Framework
<b>5<sup>th</sup> EGC Meeting, 2-4 October 2017</b>	
GF/EGC05/DP01	Approval of the 5 <sup>th</sup> Ethics and Governance Committee Meeting Agenda
GF/EGC05/DP02	Approval of the 2018 Ethics Function Work Plan and Associated Budget
GF/EGC05/DP03	Guideline for Annual Performance Assessment of Board Direct Reports as set forth in Annex 1
GF/EGC05/DP04	Recommendation on Policy to Combat Fraud and Corruption
GF/EGC05/EDP01	Reappointment of External Independent Sanctions Panel Members
GF/EGC05/EDP02	Proposal to integrate Additional Public Donors into the Global Fund Governance Structure and to amend the Global Fund Bylaws.

**Decision Points approved by the AFC between 37th and 38th Board Meetings****4<sup>th</sup> AFC Meeting, 18-19 July 2017**

GF/AFC04/DP01	Approval of Available Sources of Funds for Portfolio Optimization and Financing Unfunded Quality Demand for the 2017-2019 Allocation Period
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**5<sup>th</sup> AFC Meeting, 3-5 October 2017**

GF/AFC05/DP01	Performance Targets for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability
GF/AFC05/DP02	Approval of the 2017 Interim Financial Report
GF/AFC05/DP03	Principles of the LFA Procurement Method
GF/AFC05/DP04	Approval of the OIG's 2018 Work Plan, Budget and Key Performance Indicators
GF/AFC05/DP05	2018 Corporate Work Plan and Budget Narrative and the 2018 Operating Expenses Budget

## 4th Strategy Committee Meeting Decision Points

### **Decision Point: GF/SCo4/DPo1: TERG Documents Procedure (Approved Unanimously)**

1. The Strategy Committee (the “SC”) notes the presentation of options considered by the Technical Evaluation Reference Group (the “TERG”) and Secretariat as potential modalities for the publication of TERG documentation in accordance with the Global Fund’s Documents Policy, as set forth in GF/SCo4/10 – Revision 1.
2. Accordingly, the SC endorses Option 2.1 as a method for sharing TERG documentation with external audiences, for incorporation within a procedure for publication of TERG reports (“TERG Documents Procedure”) to be developed by the TERG and Secretariat, and approved by the Strategy Committee.
3. The SC requests the TERG, in collaboration with the Secretariat, to develop a TERG Documents Procedure setting out (i) the process for development, internal review and publication of TERG reports and (ii) guidelines for the form and content of published TERG reports, for submission to the SC for proposed adoption at its next meeting.

### **Decision Point: GF/SCo4/DPo2: Approval of the Prioritization Framework for Funds Becoming Available for Portfolio Optimization and Financing Unfunded Quality Demand (Approved Unanimously)**

1. The Strategy Committee has delegated authority from the Board under the allocation methodology approved in April 2016 (GF/B35/DP10), as set forth in Annex 1 to GF/B35/05 – Revision 1, and the Amended and Restated Comprehensive Funding Policy approved in November 2016 (GF/B36/DPo4), as set forth in Annex 1 to GF/B36/02 – Revision 1, to approve the prioritization framework for financing prioritized and costed areas of need on the register of unfunded quality demand (the “Prioritization Framework”) upon the approval of available funds by the Audit and Finance Committee.
2. Based on the recommendation of the Secretariat, as presented in GF/SCo4/04 – Revision 2, and the Strategy Committee’s review and discussion at its June 2017 meeting, the Strategy Committee approves the Prioritization Framework, as set forth in Annex 1 to GF/SCo4/04 – Revision 2.
3. The Strategy Committee notes that the Prioritization Framework shall apply beginning with the 2017-2019 allocation period and replaces the process and methodology for prioritizing and awarding potential funding for unfunded quality demand approved by the Strategy, Investment and Impact Committee in October 2013 (GF/SIICo9/DPo2).

**Budgetary implications: Not applicable**

## 5<sup>th</sup> Strategy Committee Meeting Decision Points

### **SC Decision Point: GF/SC05/DP01: Technical Evaluation Reference Group Documents Procedure (Approved Unanimously)**

1. The Strategy Committee (the “SC”) notes the proposed procedure for publication of Technical Evaluation Reference Group (“TERG”) reports (“TERG Documents Procedure”), developed by the TERG in collaboration with the Secretariat, and reflecting the methodology for the publication of TERG reports endorsed by the SC (GF/SC04/DP01).
2. Accordingly, the SC approves the TERG Documents Procedure, as set forth in Annex 1 to GF/SC05/07, as the process for sharing TERG documentation with external audiences, in a manner consistent with Board policy.
3. The SC notes that the TERG, in collaboration with the Global Fund Secretariat, will develop and agree upon an engagement process to operationalize the TERG Documents Procedure.

### **Decision Point: GF/SC05/DP02: Acknowledgment of Strategic Review 2017 (Approved Unanimously)**

1. The Strategy Committee notes the strategic value and scope of the Strategic Review 2017 (“SR 2017”), and acknowledges the SR 2017 report and position paper, including the recommendations of the Technical Evaluation Reference Group, as presented in GF/SC05/08.

### **Decision Point: GF/SC05/DP03: Technical Evaluation Reference Group (“TERG”) Annual Work Plan 2018 and TERG Membership Recruitment (Approved Unanimously)**

1. The Strategy Committee (the “SC”) approves the Technical Evaluation Reference Group’s (“TERG”) Annual Work Plan 2018, as presented in GF/SC05/11, as part of the TERG Evaluation Plan 2017-2022.
2. Accordingly, the SC acknowledges and recommends the 2018 TERG budget of USD 1.66 million, as outlined in GF/SC05/11, which has been included in the Global Fund’s 2018 operating expenses budget that the Audit and Finance Committee has recommended to the Board for approval at its November 2017 meeting.
3. The SC (i) notes that a recruitment process to appoint TERG members should be launched in late 2017 in line with the TERG Terms of Reference and the TERG Recruitment Strategy, each as presented in GF/SC01/08 – Revision 2, and (ii) requests the SC Chair to establish a Working Group on the TERG Recruitment as set forth in the TERG Recruitment Strategy.

### **Decision Point GF/SC05/DP04: Performance Targets for Key Performance Indicators 3, 6a, 6b, and 6e (Approved with one abstention)**

1. Based on its review and discussion of the proposal presented by the Secretariat, the Strategy Committee (the “SC”)
  - a. Recommends that the Board approve the performance targets for Key Performance Indicators 3, 6a i, 6a ii, 6b and 6e as set forth in GF/SC05/16A.
  - b. Recommends that the Board agrees to postpone its review and approval of the performance target for Key Performance Indicator 6a iii, until such time as a baseline is available.
2. Accordingly, the SC recommends the following decision point to the Board for approval at its Thirty-Eighth meeting in November 2017:

**GF/BXX/DPXX: Targets for Key Performance Indicators 3, 6a, 6b and 6e**

**Based on the recommendation of the Strategy Committee contained in GF/SC05/DP04, the Board:**

- a. Approves the performance targets for Key Performance Indicators 3, 6a i, 6a ii, 6b and 6e as presented in GF/B38/XX.
- b. Agrees to postpone its review and approval of the performance target for Key Performance Indicator 6a iii, until such time as a baseline is available.

#### **4<sup>TH</sup> Ethics and Governance Meeting Decision Points**

**Decision Point: GF/EGCo4/DP01 Approval of the 4<sup>th</sup> Ethics and Governance Committee Meeting Agenda (Approved Unanimously)**

The Ethics and Governance Committee approves the 4<sup>th</sup> Ethics and Governance Committee Meeting Agenda.

**Electronic Decision Point: GF/EGCo4/EDP01: Global Fund Honorarium Framework (5 votes in favour, 1 vote not cast)**

The Ethics and Governance Committee recommends the following Decision Point to the Board:

**Decision Point: GF/B38/EDPXX: Approval of the Global Fund Honorarium Framework**

***The Board approves the Global Fund Honorarium Framework, as set forth in Annex 1 to GF/B38/ERXX.***

#### **5<sup>TH</sup> Ethics and Governance Meeting Decision Points**

**Decision Point: GF/EGCo5/DP01: Approval of the 5th Ethics and Governance Committee Meeting Agenda (Approved Unanimously)**

The Ethics and Governance Committee approves the 5<sup>th</sup> Ethics and Governance Committee Meeting Agenda.

**Decision Point : GF/EGC05/DP02 : Approval of the 2018 Ethics Function Work Plan and Associated Budget (Approved Unanimously)**

1. The Ethics and Governance Committee (the “EGC”) approves the 2018 Work Plan for the Ethics Function, as presented in this document.
2. Additionally, the EGC recommends to the Audit and Finance Committee the 2018 budget associated with such work plan, in the amount of USD 1,643,000, as set forth in Part 6 of this document, for inclusion in the Global Fund’s overall 2018 operating expenses budget that will be presented to the Board for approval at its November 2017 meeting

**Decision Point : GF/EGC05/DP03 : Approval of Guideline for Annual Performance Assessment of Board Direct Reports as set forth in Annex 1 (Approved Unanimously)**

1. The Ethics and Governance Committee recognizes the need to adopt clear guidelines for the assessment of the annual performance of the Executive Director and the Inspector General (“Direct Reports”) drawing from the lessons learned from the 2013-2016 assessments.
2. Following review and deliberation, the Ethics and Governance Committee recommends the following decision point to the Board:

GF/B38/DPXX:

1. Based on the recommendation of the Ethics and Governance Committee, the Board approves the Guideline for Annual Performance Assessment of Board Direct Reports as set forth in Annex 1 to GF/B39/YY. This Guideline shall apply to the assessment of the performance of the Executive Director and the Inspector General during 2018 and onward.
2. The Board directs the Ethics and Governance Committee (EGC) to review the guideline every three years, starting in 2020, to ensure its continued relevance.
3. The Board delegates to the EGC the authority to approve revisions to the Guideline for Annual Performance Assessment to Board Direct Reports and to report such changes to the Board.
4. The Board delegates to the EGC the authority to appoint a member of the EGC in replacement of the Board Chair or Vice Chair for the purposes of the performance assessment of the Executive Director or Inspector General in the event of a recusal of any of the said officials.

Budgetary implications This decision point has no budgetary implications.

**Decision Point : GF/EGC05/DP04 : Recommendation on Policy to Combat Fraud and Corruption (Approved Unanimously)**



1. The Ethics and Governance Committee notes the Secretariat's recommendation for a comprehensive policy affirming the Global Fund's zero-tolerance approach to all forms of fraud, corruption and abuse in its own activities and the activities it finances.
2. Following review and deliberation, including consultation with the Audit and Finance Committee, the Ethics and Governance Committee recommends the following decision point to the Board for approval at its Thirty-Eight Meeting:  
GF/B38/DPXX:
  - i. Based on the recommendation of the Ethics and Governance Committee, the Board approves the Global Fund Policy to Combat Fraud and Corruption as set forth in Annex 1 to GF/B38/YY; and
  - ii. The Board directs the Executive Director to develop an implementation plan, and to periodically report to the Board through the Ethics and Governance Committee on its implementation of the Policy to Combat Fraud and Corruption, as part of regular updates pursuant to the Ethics and Integrity Framework;
  - iii. Consistent with his/her authority to implement the Policy to Combat Fraud and Corruption, the Executive Director shall have delegated authority to approve exceptions to the Policy if he/she deems such exceptions to be in the best interests of the Global Fund, taking into account the circumstances specific to each such exception and without deviating from the underlying principles of the Policy. This provision does not apply to access rights of the Office of the Inspector General for which the Inspector General shall have such delegated authority. The Executive Director or the Inspector General, as the case may be, may deem it necessary to consult exceptions with relevant Committees or the Board,"
  - iv. The Board further directs that appropriate reporting be made to the Audit and Finance Committee where implementation may affect matters under its Charter.

Budgetary implications not applicable

**Electronic Decision Point GF/EGC05/EDP01: Reappointment of External Independent Sanctions Panel Members (Approved Unanimously)**

The Ethics and Governance Committee ("EGC"):

1. Notes the EGC'S authority under its Charter to appoint the external independent members of the Sanctions Panel; and
2. Decides, with reference to the confidential assessment and recommendation of the Sanctions Panel Chair (GF/EGC05/ER01), to reappoint the following individuals for an additional two-year term as external independent Sanctions Panel members:

Andrés Rigo Sureda  
A.Michael Stevens

The EGC thanks Mr Sureda and Mr Stevens for their continued services and Commitment to the Global Fund.

**Electronic Decision Point GF/EGC05/EDP02: Proposal to integrate Additional Public Donors into the Global Fund Governance Structure and to amend the Global Fund Bylaws. (Unanimously approved by those EGC members present at the virtual meeting : 2 donors, 2 implementers)**

The Ethics and Governance Committee endorses the proposal of the Donor Voting Group to integrate additional public donors into the Global Fund governance structure and to amend the Global Fund Bylaws as set forth in GF/EGCo5/ERo2-Revision 1; and recommends the following decision point to the Board:

GF/B38/DPXX:

Based on the recommendation of the Ethics and Governance Committee, the Board:

1. Endorses the proposal of the Donor Voting Group to integrate additional public donors into the Global Fund governance structure as set forth in GF/B38/XX;
2. Amends Article 7.1 of the Global Fund Bylaws by deleting the text which states “One Swiss citizen with his or her domicile in Switzerland authorized to act on behalf of the Global Fund to the extent required by Swiss law; and”, and replacing it with the following text: “One representative of the public donors which are not part of a voting donor constituency but have each pledged a contribution of at least \$10 million in the current replenishment cycle; and”;
3. Requests that the Secretariat invite the public donors included in the group which are not part of a voting donor constituency but have each pledged a contribution of at least \$10 million in the current replenishment cycle to join this new non-voting Board constituency and develop a process for selecting its Board representation in accordance with the Bylaws and the Operating Procedures of the Board and Committees of the Global Fund; and
4. Requests the Donor Voting Group report on its revised process for donor seat allocation, which incorporates the principles set out in GF/B38/XX, at its 39<sup>th</sup> Meeting.

#### **4<sup>th</sup> Audit and Finance Committee Meeting Decision Points**

**Decision Point: GF/AFCo4/DPo1: Approval of Available Sources of Funds for Portfolio Optimization and Financing Unfunded Quality Demand for the 2017-2019 Allocation Period**

Based on its review and discussion of the Secretariat’s risk-adjusted forecast and analysis of sources and uses of funds, as presented in GF/AFCo4/03 – Part A and Part B, the Audit and Finance Committee:

- i. recognises and accepts the following amount of available funding from the 2014-2016 allocation period: USD 50 million;
- ii. further recognises and accepts that such amount is forecast to be unutilized for the 2014-2016 allocation period; and
- iii. in accordance with its delegated authority from the Board under the Comprehensive Funding Policy, pursuant to GF/B36/DPo4 and presented in Annex 1 to GF/B36/02 – Revision 1, approves such amount as available sources of funds for financing prioritized and costed areas of need on the register of unfunded quality demand for the 2017-2019 allocation period, according to the prioritization process adopted by the Strategy Committee, pursuant to GF/SCo4/DPo2 and as presented in Annex 1 to GF/SCo4/04 – Revision 2.

## 5<sup>th</sup> Audit and Finance Committee Meeting Decision Points

### **Decision Point: GF/AFC05/DP01: Performance Targets for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability**

1. Based on its review and discussion of the proposal presented by the Secretariat, including the review of the 2018 target planned for Q1 2018, the Audit and Finance Committee (the “AFC”) recommends that the Board approve the 2018 performance target for Key Performance Indicator 12b as set forth in GF/AFC05/09A.
2. Accordingly, the AFC recommends the following decision point to the Board for approval at its Thirty-Eighth meeting in November 2017:

GF/B38/DPXX: Key Performance Indicator 12b: Availability of affordable health technologies: Affordability

Based on the recommendation of the Audit and Finance Committee contained in GF/AFC05/DP01, the Board approves the 2018 performance target for Key Performance Indicator 12b as presented in GF/B38/XX and notes the review of the 2018 target planned for Q1 2018.

### **Decision Point: GF/AFC05/DP02: Approval of the 2017 Interim Financial Report**

The Audit and Finance Committee authorizes the issuance of, and therefore approves, the Global Fund’s 2017 Interim Financial Report, which includes the Interim Condensed Consolidated Financial Statements as at and for the period ended 30 June 2017 that have been reviewed by KPMG SA, as set forth in Annex 1 to GF/AFC05/10.

### **Decision Point: GF/AFC05/DP03: Principles of the LFA Procurement Method**

1. The Audit and Finance Committee (the “AFC”):
  - a. Acknowledges the Board’s previous decision on Re-tendering Local Fund Agent Contracts (GF/B15/DP50) and notes the need to establish new principles of the Local Fund Agent (“LFA”) procurement method due to the specific nature of LFA services; and
  - b. Decides to recommend the Principles of the LFA Procurement Method: Differentiation; Ensuring value-for-money through monitoring LFA performance and cost; Encouraging the diversity of LFA service providers; and Unique contracting arrangements, as set forth in Part 7 of GF/AFC05/22 and which will replace GF/B15/DP50, to the Board for approval.

2. Accordingly, the AFC recommends the following decision point to the Board for approval:

Board Decision Point GF/B38/DPXX: Principles of the LFA Procurement Method

1. The Board, taking into account the specific nature of Local Fund Agent (the “LFA”) services as described in GF/B38/[XX] decides to:
  - a. Replace its prior decision on Re-tendering Local Fund Agent Contracts (GF/B15/DP50) with the Principles of the LFA Procurement Method: Differentiation; Ensuring value-

for-money through monitoring LFA performance and cost; Encouraging the diversity of LFA service providers; and Unique contracting arrangements, as set forth in [Part [ ] of] GF/B38/[XX] (the “Principles of the LFA Procurement Method”);

- b. Delegate to the AFC the authority to approve modifications to the Principles of the LFA Procurement Method; and
- c. Delegate to the Secretariat the authority to approve the procedures for procurement of LFA services in accordance with the Principles of the LFA Procurement Method.

**Decision Point: GF/AFC05/DPO4: Approval of the OIG’s 2018 Work Plan, Budget and Key Performance Indicators**

1. The Audit and Finance Committee (the “AFC”):

- a. Approves the 2018 work plan of the OIG set forth in Section IX of GF/AFC05/03-Revision 1;
- b. Approves the inclusion of the OIG’s 2018 operating expenses budget, in the amount of US\$15.92 million, in the 2018 Operating Expenses Budget of the Global Fund (the “2018 OPEX Budget”) to be recommended by the AFC to the Board for approval at the Thirty-eighth Board meeting in November 2017;
- c. Approves the 2017 Key Performance Indicators (the “KPIs”), as set forth in Section VII of GF/AFC05/03-Revision 1, as the 2018 KPIs for the OIG; and
- d. Directs the Inspector General to select three Impact KPIs from the list set forth in Section IX of GF/AFC05/03- Revision 1 as additional 2018 KPIs for the OIG.

**Decision Point: GF/AFC05/DPO5: 2018 Corporate Work Plan and Budget Narrative and the 2018 Operating Expenses Budget**

1. The Audit and Finance Committee (the “AFC”):

- a. Acknowledges its review and discussion of the 2018 Corporate Work Plan and Budget Narrative, as set forth in GF/AFC05/14 - Part A, and decides to recommend it to the Board for approval at its November 2017 meeting;
- b. Acknowledges the exceptional nature of the Global Health Campus infrastructure investment, takes note of the Secretariat’s forecast on its return on investment which will yield significant savings over the investment lifecycle, and decides to recommend the inclusion of the one-off impact of this investment, in the amount of up to USD 12.0 million, in the 2018 Operating Expenses Budget, while remaining within the expected overall budget of USD 900.0 million for the period 2017-2019;
- c. Acknowledges the need for a comprehensive review of both the operating expenses budget for 2019 and the operating expenses required to meet the Global Fund’s strategic objectives; and therefore recommends that the Board requires the Secretariat to undertake such comprehensive review prior to the presentation of the 2019 operating expenses budget;

- d. Notes its approval of including the Office of the Inspector General's 2018 budget, in the amount of USD 15.92 million, in the 2018 Operating Expenses Budget (GF/AFC05/DP04); and
- e. Decides to recommend the 2018 Operating Expenses Budget, in the amount of USD 312.0 million, as set forth in GF/AFC05/14 – Part B, to the Board for approval at its November 2017 meeting.

2. Accordingly, the AFC recommends the following decision point to the Board for approval at the November 2017 Board meeting:

**Decision Point GF/B38/DPXX: 2018 Corporate Work Plan and Budget Narrative and the 2018 Operating Expenses Budget**

Based on the recommendation of the Audit and Finance Committee, the Board approves the following:

1. 2018 Corporate Work Plan and Budget Narrative, as set forth in GF/B38/XX; and
2. 2018 Operating Expenses Budget in the amount of up to USD 312.0 million, as set forth in GF/B38/XX (the “2018 OPEX Budget”), which includes USD 15.92 million for the Office of the Inspector General's 2018 operating expenses and up to USD 12.0 million as exceptional, one-off impact of the Global Health Campus infrastructure investment.

However, the Board reaffirms the agreement that the total operating expenses over the 2017-2019 period will remain within USD 900.0 million and requires that the Secretariat undertake a comprehensive review of both the operating expense budget for 2019 and the operating expenses required to meet the Global Fund's strategic objectives, in connection with the presentation of the 2019 operating expense budget.

UPDATED DRAFT COORDINATING GROUP WORKPLAN - AS AT MAY 27, 2016

		2016			2017				2018			
Activities	Deliverables	Q2 - 2016	Q3 - 2016	Q4 - 2016	Q1 - 2017	Q2 - 2017	Q3 - 2017	Q4 - 2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018
<b>2. GOVERNANCE OVERSIGHT</b>												
<b>2.1.8 Nomination of Committee Membership</b>	The Coordinating Group will support the selection of Committee Members and facilitation of Committee functions by: a. Consulting with the Chair and Vice-Chair of the Board on the potential candidates identified to serve as Committees Members, prior to the Chair and Vice-Chair of the Board presenting the selected candidates to the Board for approval; b. Facilitating continued engagement by Committee Members on tasks related to key topic areas between Committee meetings.	x								x		
<b>2.3.1 Effective Coordination and Communication - Review of Board and committee meeting agendas, follow up on decisions and ensure effective communication</b>	(a) Support to Board Leadership in Identifying priorities for Board and committee meeting agendas ahead of Board and committee meetings. (b) Discuss Board and Committee decisions and implementation status/follow up. (c) Instituting effective communication modalities for sharing information and advice and recommendations between the Board and the committees and amongst the committees		x		x		x		x		x	
<b>2.3.34 Appropriate Documentation and Continuous Improvement of Board and Committee Practices</b>	CG to support goal of relevant and timely dissemination of materials to the Board (in coordination with discussion of agenda): (a) prioritisation of reports to Board and Committees to ensure optimal use of resources in support of Governance Structures; and (b) Setting standards for optimal balance in length and simplicity of documentation to facilitate broad comprehension		x		x		x		x		x	
<b>4. ASSESSMENT OF ORGANIZATIONAL PERFORMANCE</b>												
<b>4.2.7 Oversight of institutional performance by Coordinating Group - monitoring oversight of KPIs by the three committees</b>	The CG will support the Board's core function of setting the GF's performance assessment framework 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 KPIs that have a crosscutting 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 (KPI) performance assessment framework to strengthen Board and committee oversight of performance.		x		x		x		x		x	
<b>5. RISK MANAGEMENT</b>												
<b>5.1.3 Ensure cross-committee collaboration and coordination in identification and management of risk</b>	Regular discussion and coordination to ensure effective oversight of risk management in each committee and coordination across the committees using the risk register and risk reports to the Board,		x					x				
<b>COORDINATING GROUP ADMINISTRATION, COMMUNICATION</b>												
<b>CG Virtual Meetings</b>	Participate in CG Virtual Meetings 1x/6 weeks	x	x	x	x	x	x	x	x	x	x	x
<b>Monthly Newsletter to Board</b>	Provide input on committee activities and review monthly newsletter sent to the Board	x	x	x	x	x	x	x	x	x	x	x
<b>Report to the Board</b>	Provide input on committee results and review bi-annual CG report shared with the Board			x		x		x		x		x