

Electronic Report to the Board

Creation of an additional non-voting seat on the Strategy Committee

GF/B39/ER02

Board Decision

Purpose of the paper:

This paper presents the recommendation of the Ethics and Governance Committee, regarding the creation of an additional non-voting committee seat on the Strategy Committee in order to enable all non-voting constituencies to be represented in at least one committee.

The paper proposes one decision point as follows:

GF/B39/EDPo2: Amendment to the Charter of the Strategy Committee

Decision

The Ethics and Governance Committee (“EGC”) recommends the following decision to the Board:

Decision Point: GF/B39/EDPo2: Amendment to the Charter of the Strategy Committee

1. The Board:

- i. Recalls its decision (GF/B38/DP05) on the Integration of Additional Public Donors into the Global Fund Governance Structure and Amendment of the Global Fund Bylaws;**
- ii. Notes the requirement of the Operating Procedures of the Board and Committees pursuant to which each constituency of the Board must be represented in at least one Standing Committee of the Board; and**
- iii. Notes the recommendation of the Ethics and Governance Committee, as set forth in GF/B39/ER02, to create an additional non-voting committee seat within the Strategy Committee.**

2. Accordingly, the Board approves the creation of an additional non-voting seat in the Strategy Committee and, to this effect, amends Section C., article 3, paragraph e. of the Charter of the Strategy Committee, as set forth in Annex 1 to GF/B39/ER02.

Budgetary implications of this decision are included in annual OPEX budget

A summary of relevant past decisions and past documents and reference materials providing context to the proposed Decision Point can be found in Annexes 3 and 4.

Executive Summary

Context

At the 38th Board Meeting (14-15 November 2017) the Board approved a decision (GF/B38/DP05) to abolish the Swiss non-voting Board seat and replace it by a new non-voting Board seat for ***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***. This decision has implications for broader governance processes and core governance documents, including the need to accommodate the new constituency in the Standing Committees of the Board, since every constituency must, pursuant to the Operating Procedures of the Board and Committees of the Global Fund (“BCOP”), be represented in at least one committee.¹ Under the current charters of the Standing Committees, there are only four non-voting seats allocated to the Board non-voting constituencies.² It is therefore necessary to create an additional non-voting Committee seat to accommodate all non-voting Board constituencies.

Questions this paper addresses

- A. What is the proposed course of action?
- B. What options did we consider?
- C. What are the next steps

Conclusions

- A. The proposal is to create a fifth non-voting committee seat within the committee structure by adding a third non-voting seat on the Strategy Committee (“SC”). For the 2018-2020 term, this seat would be made available to the new non-voting constituency. In future committee membership selection processes, the additional seat on the SC will enter the pool of available non-voting committee seats and will not be reserved specifically for the Additional Public Donors constituency.
- B. The alternative of creating an additional non-voting seat on either the Audit and Finance Committee or the Ethics and Governance Committee (“EGC”) was also considered but not recommended by the EGC.
- C. Board approval is required to amend the Charter of the SC and to create the additional non-voting committee seat in the said committee. As the committee membership selection process launched in January 2018 was well advanced when the current members of the new non-voting constituency confirmed their interest to join the new constituency, a separate process to select and appoint a representative of the new constituency in the membership of the SC will be carried out, in coordination with the Additional Public Donors constituency, after the approval by the Board of the Decision Point set out in page 2 of this Electronic Report.

¹ Each constituency should be represented in at least one committee and a maximum of two committees (BCOP, Article 43.4).

² Section C. Article 3 of the Charter of the Audit and Finance Committee provides that the committee shall be comprised, inter alia, of two representatives of the non-voting, ex-officio members of the Board, one of which shall be the World Bank, with each such individual acting in a nonvoting, ex-officio capacity. Section C. Article 3 of the Charter of the Strategy Committee provides that the committee shall be comprised, inter alia, of two representatives of the non-voting, ex-officio members of the Board, each acting in a non-voting, ex-officio capacity.

Input Sought

The Board is invited to approve the Decision Point set out in page 2 of this Electronic Report.³

Input Received

Discussion at the 6th EGC Meeting (March 2018). Guidance received from the EGC via teleconference (February 2018) regarding the creation of the additional committee non-voting seat, and the participation of the new constituency in the on-going committee membership selection process.

Input from the Coordinating Group on the proposal.

³ The EGC recommended the Decision Point set out in page 2 of this Electronic Report in its March 2018 meeting (EGCo6/DPo2) and agreed that the said recommendation would be submitted to the Board for electronic decision after the 39th Board Meeting (GF/EGCo6/EDPo5).

What is the need or opportunity?

1. At the 38th Board Meeting (14-15 November 2017) the Board approved a decision (GF/B38/DP05) to abolish the Swiss non-voting Board seat and replace it by a new non-voting Board seat for ***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.***
2. As a result of this decision, there are currently five non-voting Board constituencies, each which is entitled, pursuant to the BCOP (Article 43.4) to be represented in at least one Standing Committee.⁴ At present however, there are four seats for non-voting constituencies on the Standing Committees.⁵ A fifth non-voting committee seat is therefore required to accommodate all five non-voting constituencies in the committee structure.

What is the proposed course of action?

3. The EGC recommends the creation of an additional non-voting committee seat on the SC based on the following considerations:
 - i. The mandate is of central relevance to the Global Fund's strategy, business model and core policies;
 - ii. The SC already has two non-voting members, who represent their respective constituency. The addition of a third non-voting seat would not change committee ways of working; and
 - iii. SC members, by contrast to EGC members, represent their constituency.
4. Non-voting committee seats across the Standing Committees of the Board would therefore be as follows:
 - i. **Strategy Committee ("SC")**: three seats for representatives of non-voting constituencies; and
 - ii. **Audit and Finance Committee ("AFC")**: two seats for representatives of non-voting constituencies, of which one is the World Bank.
5. The additional non-voting committee seat would not be specifically reserved for a particular non-voting constituency. The EGC acknowledges that it would have been preferable to consider candidates for all five non-voting committee seats simultaneously in the context of the committee membership selection process launched in January 2018. However, the EGC observes that in practice, the new constituency was not operational at the time of the committee membership selection process, which ran from January to April 2018 and one of the members of the new constituency confirmed its interest to join the constituency only in early May 2018.
6. As such, in this context, the EGC supports a pragmatic approach whereby for the 2018-2020 term, the new Additional Public Donors constituency would be accommodated on the SC as it is not currently represented on any committee and as all available non-voting committee seats have been already been filled in the recent committee membership selection process. The intent of this approach was to ensure minimal disruption to the committee membership selection process, no

⁴ See article 7.1 of the Global Fund By-laws: Partners, UNAIDS, WHO, World Bank, Additional Public Donors

⁵ Two seats for representatives of non-voting constituencies on the Strategy Committee, and two seats for the representatives of non-voting constituencies on the Audit and Finance Committee, of which one is the World Bank.

delay to consideration of candidates submitted by existing non-voting constituencies, and a fully-populated AFC and SC at the start of the 2018-2020 committee term, based on their existing membership composition.

7. In future committee membership selection processes, the additional seat on the SC will enter the pool of available non-voting committee seats and will not be reserved specifically for the Additional Public Donors constituency.

What options were considered?

8. In addition to the considerations outlined above in support of inclusion of the additional seat to the SC, the EGC took into account that the SC's mandate has historically attracted more interest from constituencies, while past selection processes have struggled to garner sufficient candidates for AFC roles. With regard to the EGC, the EGC considered that sensitivities regarding certain matters under the EGC mandate, combined with the fact that EGC members serve in a personal capacity and do not represent their constituencies, render the EGC a less suitable solution for the additional seat. The new constituency will be entitled to send observers to committee meetings under the BCOP provision outlined in Article 45.

What are the next steps?

9. Board approval is required to create the additional non-voting committee seat on the Strategy Committee.
10. In order to fill the additional SC seat, the Additional Public Donors constituency will be invited to nominate candidate(s) for consideration for a non-voting committee seat and a separate, competency-based selection process will be run in accordance with the Board and Committee Operating Procedures at such time as the constituency is ready to nominate candidates. It is anticipated that this will be feasible in June-July 2018.
11. As mentioned above, in future selection processes, and with effect from the 2020-2022 term, the additional seat on the SC will enter the pool of available non-voting committee seats, and will not be reserved specifically for the Additional Public Donors constituency.

What would be the impact of delaying or rejecting the decision to progress?

12. Timely accommodation of the new constituency within the committee structure will support ongoing effective relations with the relevant additional public donors and compliance with the provisions of the BCOP. Lack of a fifth committee seat available to non-voting constituencies would prevent compliance with the requirement in the BCOP that each constituency be represented in at least one committee.

Recommendation

The EGC recommends to the Board for approval the Decision Point presented on page 2 of this Electronic Report.

Annexes

The following items can be found in Annex:

- Annex 1: Strategy Committee Charter
- Annex 2: Relevant Past Decisions
- Annex 3: Links to Relevant Past Documents & Reference Materials

Annex 1 – Strategy Committee Charter, as amended

[GF/B39/ER02– Annex 1]

CHARTER OF THE STRATEGY COMMITTEE

13 June 2018⁶

⁶ Approved by the Board on 28 January 2016 (GF/B34/EDP07) and effective as of the conclusion of the 35th Board Meeting held on 26 – 27 April 2016; and as amended on 13 June 2018 (GF/B39/EDP02).

A. Purpose

1. The purpose of the Strategy Committee (the “Committee”) of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) is to (i) provide oversight of the strategic direction of the Global Fund; and (ii) ensure the optimal impact and performance of its investments in health.

B. Functions

2. The Board has delegated its authority to the Committee to exercise the following powers and perform the following functions.

Decision-Making Powers

- 2.1 The Committee shall exercise the following decision-making powers:
 - a. Approval of and/or modifications to frameworks for the implementation of strategic funding policies and initiatives adopted by the Board, including reprogramming of grant programs and funding in order to align investment decisions with strategic funding policies and optimize operational impact.
 - b. Approval of and/or modification to the Terms of Reference for the Technical Review Panel (the “TRP”) and Technical Evaluation Reference Group (the “TERG”), or any other advisory bodies of the Global Fund under the oversight of the Committee, in accordance with the Board-approved mandate for such bodies.
 - c. Appointment of members to the TRP and TERG, or any advisory bodies of the Global Fund under the oversight of the Committee.
 - d. Approval of the guidelines, evaluation criteria, processes, work plan and procedures of the TRP and TERG.

Advisory Functions

- 2.2 The Committee shall advise and make recommendations to the Board on the following:
 - a. Key performance indicators—methodology and targets—to assess the Global Fund’s performance with respect to the strategy and grant portfolio.

- b. Development and review of the institutional strategy of the Global Fund.
- c. Modifications to the Board-approved policies governing the grant portfolio operations and other strategic initiatives of the Global Fund, based upon assessment of the performance of the Global Fund's grant portfolio and initiatives, and taking into consideration advice and recommendations received from the other Standing Committees of the Board.
- d. Modifications to Board-approved strategic funding policies and initiatives.
- e. Strategies for enhancing investment impact and value for money, taking into consideration issues such as epidemiological trends, technological developments, and market-shaping interventions.
- f. Adoption of, and modifications to, strategic policies on market dynamics matters such as market-shaping interventions and the sourcing of quality-assured pharmaceuticals, devices and other health products.
- g. Modifications to Board-approved funding policies on eligibility, prioritization and counterpart financing.
- h. Material modifications to the mandate of the TRP, TERG or any other advisory bodies of the Global Fund under the Committee's oversight.
- i. Areas of risk that affect strategic objectives, goals and targets or other risk matters assigned by the Coordinating Group.

Oversight Functions

- 2.3 The Committee shall have responsibility for oversight and review in the following areas:
- a. The implementation of the strategy through the grant portfolio and related initiatives of the Global Fund, making use of assessments based upon relevant key performance indicators adopted by the Board, internal and external evaluations, reports of the advisory bodies of the Global Fund, and the advice and recommendations of the other Standing Committees of the Board.
 - b. Oversight of the TRP, TERG and other advisory bodies of the Global Fund designated as being under the oversight of the Committee, including review of evaluations and recommendations of such bodies, and annual performance assessments of such bodies in accordance with the performance assessment framework adopted by the Board.

- c. The implementation of the strategic policies of the Global Fund, taking into consideration issues such as changes in the disease landscape, forecasted demand for Global Fund financing, and the overarching principles, objectives and enablers of the institutional strategy.
- d. The overall impact and effectiveness of Global Fund investments in health, including its market-shaping strategy, partnerships and strategic funding decisions.
- e. Developments and trends in the disease landscape, taking into consideration issues such as epidemiological trends and the activities of partner organizations.
- f. Forecasted demand for Global Fund financing, based upon epidemiological trends and analyses presented by partners, advisory bodies of the Global Fund and the Secretariat.
- g. Identification and analysis of risk implications of the strategic policies and initiatives of the Global Fund, which may impact its strategic objectives and investments, and implementation of related mitigation measures.

C. Composition

- 3. The Committee shall be comprised of the following members:⁷
 - a. Five voting representatives of constituencies from the implementer group;
 - b. Five voting representatives of the constituencies from the donor group;
 - c. One non-voting, neutral Chair;
 - d. One non-voting, neutral Vice-Chair;
 - e. Three representatives of the non-voting, ex-officio members of the Board, each acting in a non-voting, ex-officio capacity;
 - f. The Chair of the Technical Review Panel, acting in a non-voting, ex officio capacity; and

⁷ The constituencies contained within the implementer group and donor group are identified based upon the description of the Board within the Bylaws (Article 7). The implementer group consists of the group encompassing the seven developing country seats, the two non-governmental organization seats, and the representative of a non-governmental organization who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria. The donor group consists of the group encompassing the eight donor seats and the private foundation and private sector seats.

- g. The Chair of the Technical Evaluation and Reference Group, acting in a non-voting, ex officio capacity.
- 4. Nomination and appointment of Committee Members shall be according to the Operating Procedures of the Board and Committees.
- 5. The Chair and Vice-Chair of the Committee will alternate between individuals nominated by donor and implementer constituencies each term, provided that the Chairs of the Committee and the Audit and Finance Committee are selected from nominations by different constituency groups each term.
- 6. Committee Members shall have: (i) qualifications and expertise in senior positions in the key areas of work and mandate of the Committee; and (ii) the key competencies of committee members set forth in the Operating Procedures of the Board and Committees.

D. Term of Office

- 7. Committee Members shall serve coinciding two-year terms, or until the appointment of their respective successors. The Chair and Vice-Chair of the Committee shall serve coinciding two-year terms, or until the appointment of their respective successors.

E. Reporting and Communication

- 8. The Committee will develop its activity in accordance with the committee work methods outlined in the Operating Procedure of the Board and Committees.
- 9. The Chair and Vice-Chair of the Committee shall interact regularly with and report to the Coordinating Group on the results of the Committee's deliberations, as well as any issues relevant to its discussions.
- 10. The Chair and Vice-Chair of the Committee shall prepare a report of its work after each committee meeting and submit a report summarizing the Committee's work for each meeting of the Board. The Committee may also prepare ad-hoc reports as requested by the Board and/or Coordinating Group, which may relate to the inter-sessional activities of the Committee and its members.

F. Rules of Procedure, Member Roles and Responsibilities

- 11. The rules of procedure of the Committee, including procedures for quorum and voting, and the roles and responsibilities of Committee Members and Committee Leadership shall be as set forth under the Operating Procedures and the Board and Committee Member Roles and Responsibilities, respectively.

G. Review of the Strategy Committee

12. The Committee and its members are held accountable by the Board. The Committee will undergo a performance self-assessment against its mandate based on the performance assessment framework approved by the Board.
13. This Charter may be amended from time to time by the Board.

Annex 2 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/B38/DP05: Integration of Additional Public Donors into the Global Fund Governance Structure and Amendment of the Global Fund Bylaws (Nov 2017). ⁸	The Board approved the creation of a non-voting constituency for 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 associated amendment to the By Laws. In addition, the decision called on the Donor Group to report back to the Board on a revised process for public donor seat allocation, which will ensure that new public donors, who commit to the principles in the Framework Document of the Global Fund and contribute/pledge more than a defined threshold amount for two consecutive replenishment periods, will be integrated into a voting public donor constituency.
GF/B34/EDP07: Enhanced Governance Structure (January 2016) ⁹	The Board established the three current Standing Committees, and approved the Charter of the Strategy Committee. The latter would be amended by Board approval of the decision point proposed in this paper.

Annex 3 – Relevant Past Documents & Reference Materials

- [GF/B38/03-Revision 1: Proposal to integrate Additional Public Donors](https://www.theglobalfund.org/board-decisions/b38-dp05/)
- [GF/EGCo6/18 – Creation of an additional non-voting seat on the Strategy Committee](https://www.theglobalfund.org/board-decisions/b34-edp07/)

⁸ <https://www.theglobalfund.org/board-decisions/b38-dp05/>

⁹ <https://www.theglobalfund.org/board-decisions/b34-edp07/>