
Governance Culture Initiative

43rd Board Meeting

GF/B43/07

14-15 May 2020, *Virtual*

Board Information

Purpose of the paper: This paper presents recommendations by the Task Force on Governance Culture that have been endorsed by the Ethics and Governance Committee (EGC) for input by the Board.

Executive Summary

Introduction and context

Governance culture is an important indication of the ultimate success of any organization. The Global Fund's Governance Culture Initiative identified six priority areas to enhance governance culture. In November 2019, the Board endorsed the establishment of a Task Force which would focus on addressing underlying issues through enhancing trust and simplifying roles and responsibilities. This report contains the Task Force's subsequent analysis and plan of action.

Key issues addressed and conclusions

- i. How to enhance trust?
Lack of trust at all governance levels is a product, in part, of lack of informal interactions among governance officials and lack of a shared understanding of their respective roles and responsibilities. The Task Force recommends being intentional about enhancing trust at different levels, settings and interactions; identifying ongoing actions to sustain governance culture; incorporating continuous learning; and developing guidance to be shared in all governance structures.

- ii. Simplifying roles and responsibilities
Committee mandates and tasks should be simplified, shortened, tightly focused on the major roles of governance, and modeled on principle-based standards. Improved delegation of authority from the Board to Committees can be achieved by ensuring that Committee mandates complement, rather than duplicate, Board activity, by delegating a greater number of tasks to Committees, and by clarifying the meaning of oversight functions.

Input Sought

Input from the Board is sought on the recommendations from the Task Force on Governance Culture that have been endorsed by the EGC.

Input Received

- [Report to the EGC by the Governance Culture Task Force](#) (EGC12, March 2020)
- 42nd Board Meeting (November, 2019)
 - [Board Input \(Agenda Item 10.\)](#)
 - [Governance Culture and Governance Effectiveness: EGC Report to the Board](#) (Key findings from Phase One and proposed ideas for Phase Two)

Report

1. The overall objective of the Governance Culture Initiative is to improve the impact of the Global Fund's financial resources through more efficient and effective governance. Governance culture is a subtle but immensely important indication of the ultimate success of any organization. The Global Fund governance structures were novel when designed nearly two decades ago. The written and unwritten rules that influence how governance operates have evolved organically rather than by intent. By exploring the habits and impact of governance culture, the Global Fund is taking yet another important and innovative step.
2. Based on the input of nearly 90 Board Members, Alternate Board Members, Committee Members, and selected key Secretariat interlocutors, the EGC identified aspects of the current governance culture that warrant focused attention. These themes emerged from a set of conversations occurring between January and May 2019. From the shared experiences and reflections of governance officials, six priority themes were endorsed by the Board at its 42nd Meeting (November 2019):
 - a. Building trust among governance officials and with the Secretariat
 - b. Creating space for difficult discussions
 - c. Further valuing and leveraging diverse perspectives as a core element of the governance culture
 - d. Developing a shared understanding of risks (specifically financial and programmatic risks) and how they should be prioritized
 - e. Creating a clear, strategic focus for the Global Fund
 - f. Creating alignment in understanding of roles for each governance body
3. The mission of the Task Force established was to determine how best to address and build on the six priority themes that were identified through Phase One. The Task Force began by agreeing on the need for their recommendations to be concrete, focused, actionable and realistic. Based on an initial analysis of root causes of the challenges identified through Phase One, the Task Force agreed to focus on the following themes that underlie multiple priority themes: 1) Enhancing Trust; and 2) Simplifying Roles and Responsibilities.
4. This report presents the proposed plan of action for the next phase developed by the Task Force and endorsed by the EGC (EGC12, March 2020) for consideration by the Board.

Enhancing Trust

5. The Task Force identified 'Trust' as the first key priority that is directly related to the quality of governance level discussions and effective decision-making by the Board and deserves immediate attention. Through enhancing Trust, the organization should experience improvement in holding difficult discussions, valuing and leveraging diverse perspectives, and developing a shared understanding of financial and programmatic risks facing the Global Fund. The Task Force observed that lack of trust at all governance levels was a product, in part, of lack of informal interactions among governance officials and lack of a shared understanding of their respective roles and responsibilities.
6. The Task Force identified two recent and critical processes that reflected inconsistencies in trust and differences in understanding about roles and responsibilities. The 2019 Board Leadership Selection Process was seen generally as efficient, professional, and productive. By way of contrast, a contested 2018 Committee Membership Selection Process resulted in an intense and contentious examination of alternative selection

methods that - though ultimately resolved in November 2019 - were experienced as cumbersome and frustrating. Trust was a major factor in both shared experiences.

7. The suggested Enhancing Trust dimensions discussed by the Task Force included: being intentional about enhancing trust at different levels, settings and interactions; identifying ongoing actions that should sustain governance culture; incorporating continuous learning; and developing guidance that can be shared in all governance structures including within constituencies and Country Coordinating Mechanisms (CCMs).

Suggested Actions

8. Finalizing the Code of Conduct for Governance Officials to serve as the basis for work around Enhancing Trust. This document should contain not only the rules and standards for governance officials' actions, but also provide guidance on the behaviors that the organization believes will enhance trust, decision-making, and leveraging diverse perspectives.¹
9. Training sessions with all Board and Committee Members (including those who are not Board or Alternate Board Members) during the Fall 2020 on the revised Code of Conduct for Governance Officials. The successful November 2019 Board training on ethics can serve as a model for this proposed training session, with expectation that similarly structured training programs should be made available to constituencies and CCMs.
10. Include in the on-boarding for all Board and Committee Leaders a dedicated session on Governance Culture best practices for how to manage meetings, encourage formal and informal interactions among members that build trust, and related processes.
11. A resource guide for governance officials at all levels on enhancing trust, holding difficult conversations, appreciating and balancing risks, and leveraging diverse perspectives in decision-making.
12. Finding opportunities for a better understanding between Secretariat and governance officials to understand and respect their different roles and responsibilities. The work on Roles and Responsibilities (below) needs to ensure a more efficient dynamic between the Secretariat and the Board and its Standing Committees.

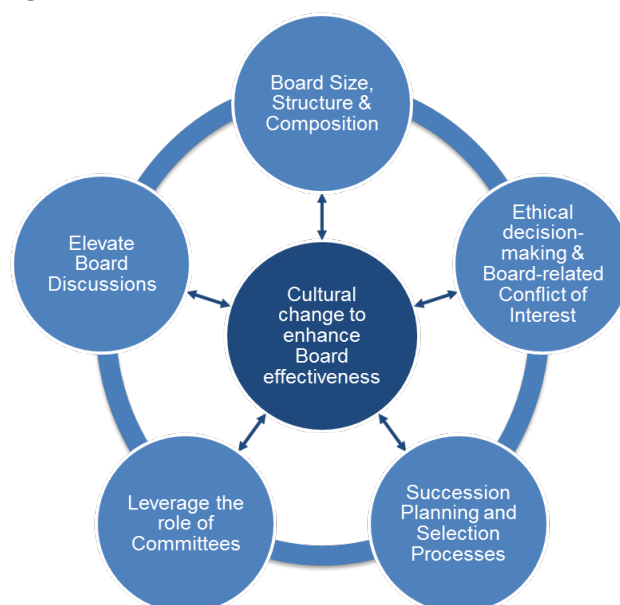
Simplifying Roles and Responsibilities

13. Under the Governance Action Plan, the EGC had identified 'Leverage the role of Committees' as one of several governance strengthening initiatives, along with the overarching theme of 'Cultural change to enhance Board effectiveness' that has evolved in the Governance Culture Initiative. Under 'Leverage the role of Committees' the EGC had found that *'Committee mandates would benefit from increased clarity, and increased delegation from Board to committees, enabling increased focus on strategic matters at Board level.'*²

¹ The Revised Code of Conduct for Governance Officials to be submitted for Board Approval (May 2020) reflects Task Force inputs.

² GF/B39/16: Governance Action Plan (April 2018)

Figure 1: Governance Action Plan, Thematic Areas



14. The Task Force identified that synergy between Enhancing Trust, as a pivotal pathway to enhance governance culture, and an effective and clear committee structure, are critical.
15. The Task Force noted that a review of the mandates of each of the committees will ultimately improve governance functions based on the following key observations:
- Verbosity in the committee mandates has led to argumentation and power imbalance among the three committees. The language of the committee mandates has led to disagreement rather than ownership and acceptance of assigned responsibilities.
 - In recalling tense conversations two years ago about which committee “owned” cross-cutting issues, the Task Force observed that confusion about mandates has led to differing levels of perceived importance and materiality of the contributions from each of the committees.
 - The perceived distance among the three committees has resulted in limited opportunities for cross-fertilization of ideas.
 - Simple and clear mandates for the three Standing Committees may increase the ability of the Coordinating Group to act in a more cohesive fashion, in anticipating and intervening when necessary to redirect and refocus committee deliberations.
 - Clarity of mandates at the committee level may lead to more specific delegation of decision-making from the Board to one of the three committees. This could reduce the tendency at the Board to “do over” complex conversations and reconsider *ab initio* committee deliberations and recommendations.
16. The Task Force agreed that its analysis and recommendations related to ‘Roles and Responsibilities of the Standing Committees and the Board’ could inform the work to be implemented by the incoming EGC in 2020.

Suggested Actions

17. The Task Force and the EGC recommend that the description of committee mandates and tasks be simplified, shortened, and tightly focused on the major roles of governance.

18. The Task Force and the EGC note that revision of the committee charters cannot be done in isolation of the Board's own roles and responsibilities nor the tasks assigned to the Secretariat by the Executive Director.
19. The Task Force and the EGC suggest that revised committee mandates be modeled on principle-based standards rather than bureaucratic regulations that attempt to cover every possible circumstance or problem.
20. The Task Force and the EGC observe that greater role clarity must be accompanied by an improved delegation of authority from the Board to all three Standing Committees. This can be accomplished by ensuring that:
 - Committee mandates do not duplicate actions and powers that the Board has reserved to itself;
 - Committee mandates complement the reserved powers of the Board and should enhance deliberations that must occur at the level of the Board;
 - A greater number of specific tasks can be delegated to the committees for decision-making;
 - The meaning of 'oversight functions' should be clarified; and
 - Descriptions of governance roles can be drafted to emphasize that responsibility for implementation and management remain within the mandate of the Executive Director.
21. The Task Force and the EGC recommend that the incoming EGC hold interviews with outgoing Committee Leadership, present Board Leadership and key Secretariat staff to identify their reflections on the current committee mandates and capture recommendations for improvements in line with these principles.
22. The EGC agreed that the above actions would provide the incoming EGC with a strong set of next steps to take this work stream forward in the 2020-22 term.

Annex 1 – Relevant Past Documents & Reference Materials

EGC documents on Governance (Board) Culture:

- [GF/EGC12/04 – Governance Culture Initiative Task Force Report](#) (March 2020)
- [GF/EGC11/06 – Governance Culture Initiative Phase 2](#) (October 2019)
- [GF/EGC10/02 – Update on the Governance Culture Initiative](#) (July 2019)
- [GF/EGC09/07 - Update on Governance Culture initiative \(formerly Board Culture initiative\): Update on engagement with Governance Officials](#) (March 2019)
- [GF/EGC08/07 - Board Culture: Structured discussions with Governance Officials](#) (October 2018)
- [GF/EGC07/07 – Potential Next Steps for a Board Culture Initiative](#) (June 2018)

Other key documents:

- [GF/B42/14 – Governance Culture and Governance Effectiveness \(November 2019\)](#)
- [GF/B39/16 – Governance Action Plan](#) (April 2018)
- [OIG Advisory Review on governance, GF-OIG17-009](#) (April 2017)
- Reports of Governance Performance Assessments:
 - [GF/EGC06/11 Committee Performance Assessment Results](#) (March 2018)
 - [GF/EGC05/12 – Egon Zehnder Update and Synthesis for the Ethics and Governance Committee](#) (October 2017)
 - [GF-EGC04-10 Report of Egon Zehnder to the EGC](#) (July 2017)
 - [GF/B36/19 Results of Board and Board Leadership Performance Assessment](#) (November 2016)
- [GF/B39/18 – Executive Director Selection Process Lessons Learned](#) (May 2018)
- [GF/EGC07/04 – Strengthening Committee Selection Processes – Next Steps](#) (June 2018)
- Reports from: EGC03; EGC04; EGC05; EGC06; EGC07; EGC08; EGC09; EGC10, EGC 11.