

34th Board Meeting

Report of the Coordinating Group

GF/B34/03
Board Information

PURPOSE: The purpose of the present report is to provide the Board Members with an update of the work of Coordinating Group in fulfilling its mandate. It is the result of a joint effort of the Board Leadership and leadership of the Audit and Ethics Committee (AEC), Finance and Operational Performance Committee (FOPC), Strategy, Investment and Impact Committee (SIIC), and Transitional Governance Committee (TGC).

I. Decision Point

1. There is no Decision Point contained in this paper.

II. Relevant Past Decisions

2. There are no relevant past Decision Points.

III. Introduction

3. The Coordinating Group is composed of the Chairs and Vice-Chairs of the Board and its standing committees, including the Chair of the Transitional Governance Committee¹.

4. This report is a result of a joint effort of the Board Leadership and leadership of the Audit and Ethics Committee (AEC), Finance and Operational Performance Committee (FOPC), Strategy, Investment and Impact Committee (SIIC), and Transitional Governance Committee (TGC).

5. The purpose of the present report is not to repeat information that you will already have in various detailed committee reports. It is to provide a snapshot of what the CG has been doing, where it has been focusing, and where there are remaining challenges in fulfilling the mandate under its terms of reference (ToRs), and the model for oversight of cross-cutting matters approved by the Board in November 2014 and described in the Governance Plan for Impact. Since the last 33rd Board Meeting on 31 March/1 April 2015, and the appointment of the current Board Chair and Vice-Chair, the Coordinating Group has had five regular meetings, mostly virtual (via Zoom), approximately every four to six weeks.

6. In September 2015 the Coordinating Group agreed on a work plan² that was significantly revised, based on, and in alignment with its ToRs. The redevelopment of the work plan has put in place clear advantages such as: increased specificity as to each CG member's role and responsibilities; enhanced ownership by CG members; improved clarity as to expectations of the CG in delivering on its mandate, and the ability to regularly track it for progress and accountability purposes. Furthermore, the cross-cutting oversight function of the CG work plan has been reinforced by ensure adequate focus on all six core functions of the Board, including the cross-cutting elements of strategy development, and resource mobilization.

7. The CG minutes and action points have been circulated in real-time to Board constituencies, and are available on BoardEffect.

8. As the development of the Global Fund's new Strategy that will begin in 2017 shifts from the framework of strategic objectives and sub-objectives to a more detailed narrative and implementation plan, the CG expects to have additional cross-cutting issues to discuss and coordinate. For the challenges ahead, the CG welcomes the Board's continuous guidance and feedback on what we are doing well, what we are not, what we should do more (or less) of, and whether we respond to the Board's requests?

¹ Current membership is: Norbert Hauser, Aida Kurtovic (Board Leadership), Graham Joscelyne and Claude Rubinowicz (AEC), Soltan Mammadov and Mike Ruffner (FOPC), David Stevenson and Anita Asimwe (SIIC), Viorel Soltan (TGC).

² Available on the *BoardEffect*, in the Resource Library.

01 Strategy development

Ensure cross-committee collaboration and coordination in relation to: Development of 2017-2022 Strategy

9. Over the past year, the SIIC has been working to present the Board with a Strategic Framework for 2017-2022³ that sets out the Global Fund's vision, mission and strategic objectives. During the SIIC's 16th meeting in October 2015, the Committee agreed to recommend the final framework, presented in GF/B34/11, to the Board for approval at its 34th meeting in November 2015. Upon approval, the SIIC will focus on presenting the final strategy narrative, including KPIs to measure the new strategy, to the Board for approval in the spring of 2016. This is, and will continue to be, the outcome of a thorough consultation process and many discussions at the SIIC, and has benefited from the engagement of the FOPC leadership which attended all of the SIIC's meetings. AEC leadership has also attended some SIIC sessions and provided input on strategy development.

10. Since the development of the new strategy of the Global Fund has been among the key activities in 2015, the Coordinating Group decided to hold a Board retreat on Strategy in July, between the March and November Board meetings. This enabled Board members' views on a draft strategic framework and obtained their steer for further development of the framework.

11. The development of the strategic framework has benefited from extensive consultations, including three Partnership Fora. While the strategic framework provides direction and ambition, the achievement of goals and objectives depends greatly on the results of replenishment and on the implementation planning to maximize available resources in a manner that achieves the greatest impact. Critical enablers to facilitate such achievement include broad partner and stakeholder engagement, political will of the country governments, as well as differentiation along the development continuum.

Allocation methodology

12. Lessons recognized during the implementation of the current allocation model have informed the SIIC's discussions. Improvements to the allocation methodology will seek to further maximize impact with consideration to provide greater flexibility to the Secretariat to further optimize resource allocations across the portfolio. Further streamlining and simplification is also envisaged.

Strategy-related risks

13. During the past year, as prescribed by the Board-approved Risk Management Policy, the SIIC has been paying close attention to Strategic Risks, in recognition of the need to incorporate strategic risk considerations in the development of the new strategy. In June, the Committee reviewed the ten most important strategic risks so as to ensure that the main strategic risks would be taken into account in the development of the forthcoming Global Fund Strategy. In October, the Committee received an update that included the Secretariat's management's views on each of the ten strategic risks.

14. Use of funds and differentiation are strategically important risks as it is about coverage in countries with the highest need, thus affecting the delivery of the Global Fund's mission. The CG has asked the Chief Risk Officer (CRO) to provide regular updates on how these risks are addressed and what the outcomes are.

15. Currently, the Risk Register contains several overlapping or 'complementary' risks, especially from the country-level point of view (such as use of funds, implementation bottlenecks/challenges,

³ The period of the next strategy will be determined upon the outcome of Board electronic decision point GF/B33/EDP26: Global Fund Strategy Cycle, which the SIIC has recommended to the Board approval. If approved, the Strategy will cover a period from 1 January 2017 – 31 December 2022. The voting period for this decision closes on 10 November 2015.

transition). These risks should not be tackled as stand-alone – rather, they need to be viewed holistically. It might be useful for the cross-cutting view of the programs to provide a typology of where the countries stand in terms of overlapping risks based on their disease burden and income level. This way, it would provide a clearer picture of actions to be taken (i.e. higher income countries are likely to transition, therefore investments and engagement must be tailored and targeted to address specific needs and context). Also, a tailored approach is required for the countries with challenging operating environments.

16. Going forward with the development of the new strategy, it is important to pay continued attention on how the Global Fund responds to the evolving disease and broader development landscape, including an evaluation of the current Global Fund’s model being ‘fit for purpose’ in a rapidly moving world.

Market Shaping Strategy

17. Given continuing market challenges, evolving context, continued need for a role for the Global Fund, recent transformations at the Secretariat and development of the next Global Fund Strategy, the Board has called for a revision of the 2011 Market Shaping Strategy which will be presented for approval at its 34th meeting in November 2015. The Board endorsed procedures for the SIIC’s and FOPC’s joint oversight of market dynamics matters in November 2014. Throughout the past year, the SIIC has guided and overseen the development and updating of relevant strategic policies. The revisions of the Market Shaping Strategy have been through extensive consultations, SIIC direction and input from the FOPC on the operational and financial implications.

18. Once the revised Market Shaping Strategy is approved by the Board, the Secretariat will implement the Strategy for products and categories considered in scope and will report to SIIC and FOPC on key topics and aspects of the Strategy implementation, as well as for further direction, oversight or approval as detailed further in the revised Market Shaping Strategy.

19. The FOPC notes that its inputs would have been more meaningful and timely should the FOPC had the opportunity to discuss the document during an in-person meeting. Promoting more cross-cutting work of the committees could be done by holding committee in-person meetings in a partially overlapping way that would allow for joint discussions on cross-cutting matters. This would also reduce the burden on the Secretariat which currently has to present many topics of cross-cutting interest to all three committees at different times.

02 Governance Oversight

- a) *Strengthened Constituency Engagement - Processes for constituency selection of Board Members and Committee membership*
- b) *Set Framework for Induction of Board and Committee Members*
- c) *Ensure Effective Coordination, Collaboration and Communication between Board Committees, and between the Board and its Committees with respect to Board's core governance, risk and administrative functions, and cross-cutting matters*
- d) *Board and Committee Decisions: regular review of follow-up*
- e) *Appropriate Documentation and Continuous Improvement of Board and Committee Practices*

20. At the beginning of their mandate, the Board Leadership decided to handle the workload jointly without splitting functions of oversight across the six core functions of the Board. In fact, the six core functions are closely inter-linked and splitting oversight functions between the Chair and the Vice-Chair would affect achieving a holistic and objective view on the organizations’ performance. For example, how could one oversee risk without an in-depth knowledge of KPIs’ performance? How can one focus on resource mobilization without knowing enough about the strategy? Or how to monitor the use of financial resources of governance bodies without a greater understanding of constituencies’ priorities?

21. The CG has had regular discussion about committee matters, particularly about where the challenges might lie for the Board deliberations. The CG has tried to ensure that the Board has an agenda that focuses on the core business, and at the ‘right altitude’. Also, greater emphasis on cross-cutting matters is observed in conducting CG meetings: instead of hearing updates from each committee on the work performed, the discussion is more focused on cross-cutting issues, as reflected in the CG’s meeting minutes. Also, instead of putting many items on the CG’s meeting agenda with a limited time to discuss them, the CG takes more time to address a few strategic issues in greater detail.

22. Going forward, the CG will concentrate more on the processes that are not clearly allocated to a specific committee but are fundamentally important. Two such processes are differentiation at the Secretariat level and the risk and assurance project at country level. These priority projects suffer delays that have to be addressed urgently, and the CG will request the ED to clarify how the weaknesses identified in these priority projects will be addressed and how progress will be measured and reported to which committee.

23. The Board Leadership believes that every constituency should be represented in at least one standing committee, and that Board regulations and practices should be amended to make it happen in a simplified manner. Now that the SEA constituency has joined the SIIC, every constituency, apart from EECA, is represented in at least one committee. The Board has reflected these sentiments in the survey results presented by the TGC at the July 2015 Board retreat, and the recommendations that will accompany the TGC’s work on the Enhanced Governance Structure will offer solutions to the unintended consequences of the existing operating procedures.

24. The Transitional Governance Committee Chair has regularly discussed its work, and the CG has given input into performance assessments of the Board and its Committees, on induction and ‘on boarding’ for new members of the GF family, and has offered all committee members the possibility to comment on the Enhanced Governance Structure.

25. The OBA has put a lot of effort in developing “track and trace” system of the Board’s decisions. Given the volume of Board decisions, and change in Board membership, this institutional knowledge management tool is very important.

26. Also, in order to enhance the responsibility of the Board when making decisions, the Board Leadership established the practice to add the resource implications of each Board decision. In an environment of constrained financial resources but growing ambition for reaching more people with services, the Board as well as the Secretariat have to pay greater attention to cost efficiencies.

03 Commitment of Financial Resources

- a) *Review and monitor the resources afforded to Board, Board Leadership and Committees to ensure their adequate resourcing*
- b) *Cross-committee coordination, information-sharing and discussion of key financial matters, including at country level*
- c) *Monitor use of constituency funding in context of strengthened constituency engagement (Reports received at end of year)*

27. The CG emphasizes prudent use of funds in supporting governance functions, and carefully evaluates the workstreams that can be accomplished with internal resources as part of on-going work process, and those for which specific external expertise has to be sought. It encourages the use of technology support for virtual calls in lieu of in-person meetings that are much more expensive. Going

forward, governance costs and opportunities to save costs such as by aligning better with key partners will be explored.

28. The CG closely follows the work of the Implementation Through Partnership initiative, Differentiation for Impact Project, Risk and Assurance project, and portfolio optimization workstream. We would like to discuss in more depth possibilities for flexibility in allocating money to where it is needed. Also important is to take a closer look at the implementation arrangements at the country level – do we have the optimum implementation arrangements? Are we really signing disbursement-ready grants? What flexibilities in resource allocation and implementation arrangements we should pursue to achieve programmatic targets?

29. The CG welcomes the Global Fund's discussions on insurance solutions to support the objectives of the Global Fund. This will help manage and mitigate future risk.

30. The Board Leadership commissioned an OIG report on the resources available to implementer constituencies, the findings of which will be factored into ongoing finance discussions to ensure that the CG can fulfil its mandate also on strengthening constituency engagement. This is an area that we would like to focus on more in the coming months with the aim to better plan, manage and oversee the constituency funding, and achieve greater flexibility to cater for constituencies' specific needs.

31. An important aspect of strengthening constituency engagement is to provide translation and interpretation in other languages of the Global Fund. Based on our preliminary discussions with the implementers' constituencies, they expressed the desire to have executive summaries of ED, IG, committee and Board meeting reports, and monthly updates translated into French, Spanish, Russian, and Arabic.

04 Assessment of Organizational Performance

- a) *Ensure performance against KPIs is being assessed effectively in each committee;*
- b) *Ensure coordination between committees on cross-cutting KPIs, and*
- c) *Make recommendations to Board on adjustments to KPI framework to strengthen oversight of performance*

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33. Key Performance Indicators (KPIs) is another cross-cutting matter that is regularly reviewed by each committee, enabling the CG to aggregate inputs and highlight any issues of concern, or needing additional discussion.

34. Overall, the committees seem to agree that there is room for improvement in the current set of Corporate KPIs since most of the KPIs are not describing performance of GF from different contexts. The SIIC will focus on a revised set of KPIs to accompany the narrative of the new strategy that will be present to the Board in spring 2016.

35. The CG notes the challenges with collecting data under several KPIs, for which the Global Fund relies on in-country data systems which require strengthening. There are concerns around the KPI 10 (Value for money), which relies more on cost-savings than added value. The KPI 5 (Health system strengthening) is not representative and should be entirely revisited, especially because it is central to

one of the four objectives in the Strategic Framework. Slow progress and risk of not achieving the forecasted data in 2016 were expressed regarding KPI 2 (Quality and coverage of services) and KPI 3 (Performance against strategic service delivery targets). The 2016 target for KPI 7 (Access to funding) warrants concern and requires taking necessary steps to address the risk of underperformance. KPI 11 (Grant expenses forecast) with its 2015 progress update and 2016 target looks on track and encouraging, though the CG acknowledges actual grant expenses have been reported to be below forecasted levels in each quarterly update to the FOPC. The CG notes how this is related with ongoing work around the utilization of funds in country level, as well as reported delays with Concept note submission (which is also a reflection of under-performance of KPI 7).

36. As part of assessment of organizational performance, the CG will pay closer attention to regular follow-up on the implementation of recommendations made to the Secretariat (previous Board decisions, Agreed Management Actions flowing from OIG Reports, and TERG recommendations).

37. The CG welcomes the currently on-going review of the methodology for many individual KPIs and hopes that we will have a small set of strong, measurable, meaningful, and strategically focused KPIs that will accompany the new strategy for 2017-2022⁴. The CG will discuss the draft proposed KPIs and will provide its feedback to the Board either through the committees or directly.

05 Risk Management

Ensure cross-committee collaboration and coordination in identification and management of risk

38. We hope our systematic discussion of key issues becomes apparent/begins to show, particularly on risk oversight where there has been intensification of the information flow about risk management matters, a 'think piece' presented on the CG's and the Board's role in risk oversight to ensure that the Board has complete information about how to fulfil its risk oversight responsibilities, systematic review of the risk register, discussion about risk assurance, and much else.

39. As per a Board decision in 2014 that sets in place a new Board and Committee oversight model for cross-cutting issues including Risk, in 2015, all committees have been involved in and contributed towards the management of risks. In the past year, Committees have reviewed two semi-annual risk reports to the Board. The reports allow each Board Committee to focus on the risks most relevant to it, according to the respective charters and input has been incorporated prior to the reports being submitted to the Board. Committee Focal Points on risk management are in regular communication with the Secretariat and other committee Focal Points with regard to the quarterly risk register. Committee Leadership then present and coordinate cross-cutting issues through the platform of the Coordinating Group.

40. During its meetings, the Coordinating Group has put an emphasis on cross-cutting oversight of risk. The CG has reviewed Q1 and Q2 risk registers and has requested an in-depth analysis of the risk register from the Chief Risk Officer. Referring to the analytical memo accompanying the Risk Register, the CG members emphasized the importance of receiving a more analytical narrative on how we are moving forward with addressing the risks, whether the situation is improving or not, more information about the bottlenecks, root causes, and what are the actions required (what, how, where and who). The CG provided its feedback on the risk register to the CRO who took these comments and inputs on board and updated the Risk Management Report accordingly.

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41. Moving forward, the CG plans to discuss key risks with risk owners, in order to follow up on the implementation of proposed mitigation activities. The CG recommends that analysis of operational risks in Secretariat level be addressed with the same sense of urgency as at country level to ensure that several priority actions are implemented in time. The CG has reflected upon the delay in addressing Agreed Management Actions (AMAs) - many AMAs are overdue for more than one year. Actually, because each AMA addresses a high-risk issue flowing from OIG work, the high number of outstanding AMAs is a risk on its own and merits being included in the Risk Register as such.

42. The CG notes that the Secretariat has introduced several analytical tools and methods for risk documentation, and has deployed a wealth of risk mitigation measures to its programs in countries, yet, it remains to be assessed whether all these efforts are conducted in a coordinated manner across the Secretariat and whether the measures taken represent the best solutions to deliver on the Global Fund's mission. The CG asked the CRO to provide information on how the risks were addressed by the Secretariat, if improvements have been achieved, where and how, to what extent and if not, why? The CRO will present a Risk Assurance Report at the 34th Board meeting, which will be updated for the Board meeting in April 2016 when assurance statements from other assurance providers will be received. We asked for a Risk Assurance Report and an update next year. The regular bi-annual Risk Management Reports by the CRO will provide an opinion on the effectiveness of risk management in the Secretariat with clear justifications (e.g. is there evidence that the MEC regularly discusses risks or the risk register, what concrete examples can be given where such discussions or use of any of the tools have had an impact?).

43. The Board should see whether there are differences between the CRO's assessment of the risk management effectiveness in the Secretariat and the OIG's, and, once an Ethics Officer is recruited, receive his/her annual opinion on the wider ethics and integrity risks as seen from the new Ethics Office perspective.

44. The Office of the Inspector General, in its 2014 advisory work on GF Governance, warned the GF Board to improve its risk oversight. In response, the Board took on the principal risk oversight role, but the practicalities of it had to be further determined. The TGC has advanced its work on reallocation of oversight functions among the Board committees, and will carefully consider the risk oversight responsibilities as well.

45. As of the time of writing this report, the CG feels that the Board is not yet well-enough informed to conclude if risk management maturity and effectiveness is fit-for-purpose and actually plays a meaningful role in ensuring the GF achieves its strategic objectives. We expect this will become more evident when the various assurances are received from the CRO, OIG, external auditors, the Ethics Officer, and the Secretariat in April 2016 and the question then will be, how do we move forward in a cohesive, comprehensive manner?

46. First, the Board needs to know what information it needs to fulfil its fiduciary duty for risk oversight. This means knowing what questions to ask itself, its committees, and the Secretariat. Second, knowing what questions it wants answered, the Board is better placed to specify roles for the Coordinating Group and the committees to facilitate information flow on risk management maturity and effectiveness across the GF.

47. The CG looks forward to continuing an active discussion with the Board as to whether it receives adequate assurance on the effectiveness of the risk management process and on the management of specific risks directly from the Secretariat and its committees/CG.

06 Partnership and Resource Mobilization

Support to Board Leadership's role in advocacy and communication with partners, stakeholders and donors - to promote the Global Fund and its mission, and promote active engagement with partners.

48. Our business model is also a Partnership model. We depend on the effective delivery and performance of our strategic partners (governments, civil society organizations, technical agencies, bi- and multi-lateral partners, UN organizations, etc.), and we should look at ways to more formally strengthen our collaboration as well as mutual accountability.

49. Post-2015 context requires us to work closer with our partners and find more synergies in order to use available funding more effectively. With this in mind, the Board meeting features a session on the Global Fund's partnerships, "Working Together" to discuss synergies achieved so far and reflect on areas where we can work closer going forward.

50. As mentioned above, the CG attaches great importance to the utilization of funds in country being cognizant of the important linkage between use of funds and achieving greater impact with investments. These are important considerations for refining the allocation methodology and preparing for the Fifth Replenishment.

51. As the traditional donor funding is under pressure from multiple sources, we need to open the doors to new and emerging donors, which is a key component of our discussion on Board composition.

07 Conclusion

52. There are continuing challenges that each committee faces when trying to do its best to cope with the number of topics to discuss and the volume of information to absorb. All at the time we are also reflecting on enhanced governance, seeking replenishment success, finalizing the new strategy, and following-up on risk mitigation actions.

53. The time commitment of Board and committee members is colossal and so is the effort of the Secretariat supporting the Global Fund's governance function. As mentioned above, perhaps a better alignment of committee meetings to allow for more time for joint information sessions from the Secretariat and discussion of cross-cutting matters would help reducing the burden at both sides, as well as costs.

54. We should strive to trust the Secretariat to handle many more items independently while maintaining the Board's oversight on higher level strategic matters. Reducing the volume of written papers to keep the Board informed about a great variety of topics, would lead to even more efficient investment of the precious and professional workforce in the Secretariat in helping the countries to actually implement our strategic goals.