Advisory Report

Review of the adequacy of the resources available to implementer constituencies of the Global Fund Board

GF-OIG-15-13
11 September 2015
Geneva, Switzerland
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### Introduction

- The Global Fund is an international financing institution, supporting programs in over 125 countries, without a full time presence in those countries.

- To oversee its programs the Global Fund has adopted an inclusive governance model comprising both donors and fund recipients, also called implementers. Implementers hold half of the twenty voting seats on the Global Fund Board.

- In November 2009, a committee of the Board identified a need to properly resource those implementer Board members. In response, the Global Fund awarded up to US$ 80,000 to each of the ten implementer Board members to be used for communication, meeting, travel, and staffing to ensure unhampered and optimal participation in governance proceedings. This amount was raised to US$ 100,000 in 2014.

- The Board leadership requested this review from the Office of the Inspector General to seek independent assurance on the continued adequacy of arrangements in place.
Executive summary

- The Global Fund should consider moving to a needs-based approach to constituency funding.

- The overall level of resources allocated to constituency funding is fit for purpose. However, the total need for funding may be larger than the current envelope, as implementer constituencies have historically managed to access funding from external sources.

- Based on the needs expressed and a longer term strategy to optimize implementer engagement, the Head of Board Affairs should develop a constituency funding work plan.

- The total envelope allocated to constituency funding should be reviewed on an annual basis as part of the operating expense approval process. This review should be based on a costed work plan prepared by the Office of Board Affairs, based on needs identified.

- The Office of Board Affairs should coordinate service provision to constituencies, including provision of translated materials, where needs arise, and training on Global Fund governance and operational matters.

- Expenditures made using constituency funding should be verified by the Global Fund on a sample basis, a review that is not currently performed.
Scope and methodology

Terms of reference of this engagement and work performed by OIG to draw conclusions

Terms of reference

- **Objective:** Assess whether implementer constituencies of the Global Fund Board have adequate resources to pursue their current mandate.

- Our review included:
  - An assessment of the resources required by implementer constituencies, including financial support and non-financial support (training, onboarding, conference services, translation, logistics, and technology).
  - An assessment of the adequacy of Global Fund policies and procedures in place.

- **Scope limitation:** OIG is not opining on broader governance issues currently reviewed by the Transitional Governance Committee, such as the structure and membership of the Global Fund Board.

Work performed by OIG

- **Interviews** and **surveys** with a representative sample of the Board, including all ten implementer constituencies, and relevant secretariat staffers in Geneva.

- **Review** of applicable Board decisions, policies and procedures.

- **Review** of funding applications, constituency budgets and expenditure reports to the Global Fund.

- **Analysis** of relevant transactions recorded in the general ledger of the Global Fund operating expense budget for 2013 and 2014.
Background: current legal basis

Support for attendance of key members, constituency funding to support other needs

Applicable provisions for direct support:

- Operating procedures of the Board and committees determine the following:

- Art. 36.1. “The Global Fund will pay and provide for the costs of attendance at Board meetings for three members from each Implementer Voting Bloc constituency […] and Committee Members from those constituencies. […]“

- Art. 4.1. “In addition to the Board Member, Alternate Member and Communications Focal Point, delegations to Board meetings may include additional delegates, advisers and/or observers, provided […] the total delegation will normally not exceed 10 persons […]“

- Art. 36.1. “[…] The Global Fund will pay and provide for the costs of attendance at Committee meetings for the Committee Chair and one Committee Member from each Implementer Voting Bloc constituency serving on the Committee.”

Applicable provisions for constituency funding:

- The Board approved a decision (GF/B20/DP07) in November 2009 to determine the following:

- The decision approved a policy for constituency funding.

- The decision recommended equal distribution of allocation of this amount between the ten implementer constituencies.

- The Board delegated oversight of the Board Constituency Funding Policy to the Policy and Strategy Committee (since disbanded) and requested the Secretariat to report on the impact of the policy on constituency participation, to the committee.

- Exceptions to the ceiling may be permitted by the Secretariat, in consultation with the Chair of the then existing Policy and Strategy Committee, and within the overall funding ceiling approved by the Board.
Finding #1: oversight of the constituency funding policy

Office of Board Affairs developed a set of policies, but these need improvement.

Application process for constituency funding

- The Office of Board Affairs has adopted a set of operational policies to govern the disbursement of constituency funding.
- The Head of Office of Board Affairs and the Chief of Staff jointly authorize constituency funding disbursements. To do so, the Secretariat requests an application co-signed by Board member, alternate, designated focal point, as well as the Head of Office of Board Affairs.
- The application must include supporting documentation in the form of an annual expenditure report, a list of constituency delegation members, and a bank statement showing the closing balance.
- At present, expenditure reports are collected, but they are not reviewed by the Global Fund.
- The OIG finds that the oversight could be improved by ensuring that expenditure reports are reviewed on a sample basis.

Definition of oversight arrangements

- The oversight of the constituency funding policy was placed under art. 10c of the Coordinating Group terms of reference. A review of meeting reports shows that constituency funding hasn’t featured on the agenda of the Coordinating Group until this review was commissioned by the Board leadership.
- The Board decision set an amount for budgetary year 2010, and recommended an equal allocation of resources between the ten implementer constituencies. However, the OIG found that the Board decision did not preclude from revising the overall envelope as part of the annual operating expense budget approval.
- When the overall envelope was increased from US$ 800,000 to US$ 1 million in 2014, the Office of Board Affairs created a parallel application process for constituencies to access the incremental funding\(^{(1)}\), to compensate for the perceived absence of a legal basis for the increase. Interview respondents found the existence of parallel processes to be confusing.

\(^{(1)}\) The envelope is made available as follows: application for base funding of US$ 80,000, and second application for potential incremental funding of US$ 20,000 per constituency.
Finding #2: opportunity to optimize current envelope

Savings are inadvertently discouraged at the constituency level

- The current practice earmarks an equal share of the total envelope of funds for each constituency. With currently US$ 1 million approved in the operating expense budget for constituency funding, this means that US$ 100,000 is earmarked for each constituency.

- Outstanding cash balance declared by constituencies are deducted from this envelope of US$ 100,000. As a result, constituencies are inadvertently discouraged from making savings. Closing their accounts with unspent funds effectively reduces the envelope of funds available to them.

- On the other hand, certain constituencies request less than their full allotment. In the current arrangements, unclaimed funds are not made available to other constituencies.

- There is an opportunity to optimize the envelope, such as by allowing flexible reallocation of unspent funds based on priorities established in an annual constituency funding work plan prepared by the Office of Board Affairs.

Fig. 1 - Constituency funding disbursement by the Global Fund.
(Actual disbursement by constituency by year, as at July 2015, US$)
Finding #3: total cost of current arrangements

Compliance with applicable provision and financial cost of complying

Compliance with applicable legal basis

- In application of the operating procedures of the Board and Committees:
  - The Global Fund does regularly fund the costs of attendance at Board and Committee meetings of eligible constituency members.

- In application of the constituency funding policy:
  - The Global Fund has regularly disbursed funds to constituencies in accordance with the constituency funding policy.
  - However, verification of expenditures has not been performed to date, although it is contemplated in the policy.
  - Committee oversight beyond the approval of the operating expense budget is not performed.

Financial cost

- Constituencies accessed **US$ 860,953** out of a budgeted amount of **US$ 1,000,000** earmarked for constituency funding in 2014.

- The cost of attendance to Board and Committee meetings for eligible constituency members represented **US$ 473,697** in 2014, which was a 5.5% year on year increase.

- This amount excludes travel assistance or per diem expensed in support of the Board leadership, ad hoc committees and other working groups of the Board, and support to Audit and Ethics Committee members, as Board representatives on the AEC act on this committee in a personal capacity.

- The total expenditures for constituency support in the Global Fund budget for 2014, the sum total of cost of attendance and constituency funding, amounted to **US$ 1,334,650**.
Finding #4: availability of additional support

Multiple initiatives are mobilized to support implementer constituencies

- The application of Global Fund policies and procedures contributes materially to finance implementer representation on the Global Fund Board. But the existence of other sources of support must be taken into account to fully assess the needs of constituencies.

- Besides financial support, constituencies benefited from ad hoc activities tailor-made for their needs. As an example, in 2014 and 2015, the Risk Department of the Global Fund Secretariat coordinated, together with the OIG and external partners, a set of regional fora on risk management.

- The coordination of initiatives in support of constituencies could be improved. This is particularly the case for initiatives performed by departments of the Global Fund in Geneva. The Office of Board Affairs could coordinate this support.

- Certain constituencies found sources of support beyond the Global Fund, in the form of hosting arrangements, paid-for-advisors, or additional funding.

- In a survey conducted by the OIG as part of this engagement, seven out of ten constituencies declared having raised funds outside the Global Fund. Certain constituencies expressed concerns that their sources of external funds were not sustainable. This indicates that in the future, requests for constituency funding could exceed the current envelope of US$ 1,000,000.

- In aggregate, constituencies accessed in 2014 over US$ 2 million to support their operations, broken down as follows:

![Fig. 2 – Breakdown of constituency budget by sources of funding](image-url)

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Direct support (Global Fund)</td>
<td>$473,697</td>
</tr>
<tr>
<td>Fundraising (non Global Fund)</td>
<td>$682,452</td>
</tr>
<tr>
<td>Constituency funding (Global Fund)</td>
<td>$860,953</td>
</tr>
</tbody>
</table>

Fig. 2 – Breakdown of constituency budget by sources of funding (actual disbursement of constituency funding, actual support to constituencies under travel budget line, external fundraising declared in OIG survey, for budget year 2014)
Finding #5: limited spend on training and communication

Travel and staffing are by far the largest cost centers for constituencies

- The OIG reviewed actual expenditure reports collected from constituencies by the Global Fund for the period 2012-2014.
- Expenditures on training and communication are marginal. Most constituencies consider the Global Fund is best placed to produce in house adequate material for training and communication purposes, such as digests or translations of existing documentations.
- Travel and staffing are by far the largest cost drivers for expenditures made out of constituency funding received from the Global Fund.
- In aggregate, over the 2012-2014 period, constituencies spent 75% of their constituency funding on travel and consultation, 21% on staffing and office, and 4% on communication and training.
- There is no evidence either of a review of expenditure reports by the Global Fund.

- Below is a breakdown of expenditures by categories of cost, which shows that the breakdown between categories is fairly uniform with travel and consultations the largest cost driver for 9 out of 10 constituencies.
- The expenditures are shown in actual terms against the maximum available over the three-year period of US$ 260,000 by constituency.

Fig. 3 – Constituency funding. Actual expenditures reported to the Global Fund. (by constituency and cost category, 2012-2014)

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Communities</th>
<th>Western Mediterranean Region</th>
<th>Eastern Europe and Central Asia</th>
<th>Eastern and Southern Africa (1)</th>
<th>Latin America and Caribbean</th>
<th>South East Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel and consultations</td>
<td>87%</td>
<td>65%</td>
<td>81%</td>
<td>65%</td>
<td>80%</td>
<td>95%</td>
</tr>
<tr>
<td>Staffing and office</td>
<td>55%</td>
<td>35%</td>
<td>55%</td>
<td>29%</td>
<td>4%</td>
<td>95%</td>
</tr>
<tr>
<td>Communication and training</td>
<td>11%</td>
<td>35%</td>
<td>17%</td>
<td>20%</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

(1) Eastern and Southern Africa only submitted an expenditure report for 2014, budgeted figures are used in the above analysis for this constituency in 2012-2013.
Finding #6: needs expressed by constituencies

Our review found unmet needs on two levels: delegation, wider constituency

Delegation-level needs

- **Definition:** A delegation is a group of ten or more delegates including a Board Member, an Alternate Board Member and Communications Focal Point. Delegates are empowered to represent the interests of a wider constituency in Global Fund governance meetings.
- The needs at this level are usually short term, and start with training and onboarding to the Global Fund strategy, its governance and operational model. Training and onboarding provided by the Global Fund secretariat are currently seen as ad hoc and of varying quality by interview and survey respondents.
- On the other hand, the current funding envelope from the Global Fund is seen as adequate by most respondents.
- For example, participation and travel for Board and Committee meetings are considered as adequately covered in the current arrangements by interview and survey respondents.

Constituency-level needs

- **Definition:** A constituency is a wider interest group (either regional group, or interest group) sharing one seat on the Global Fund Board.
- The needs of constituencies are broader and usually longer term. These include conference services and travel arrangements for wider consultation, technical support for development of policy positions, institutional memory management and succession planning. These are seen as partially met in the current arrangements.
- For example, translation of documentation is seen as a crucial gap by interview and survey respondents. Given the technical nature of the content, this is considered as a service best provided by the Global Fund. Translated documents issued by the Global Fund would help focal points in carrying out wider constituency outreach.
Finding #7: differentiated cost of doing business
Towards a needs-based approach: looking at geography, language and connectivity

- The geographic scope of a constituency drives specific needs for travel funding to ensure participation in governance proceedings, or to ensure outreach to members of the wider constituency. Certain indicators may help cost the needs of different constituencies.

- An analysis of the cost of doing business in the seven regional constituencies shows the following:

  - The number of languages in a constituency can lead to a structural need in terms of translation and interpretation, as the Global Fund continues to use English as a primary working language on the Board as well as at the Secretariat.

  - Although means of communication by telephone or internet are inexpensive, lower availability of broadband internet is an indicator of higher need for in person meetings. An analysis of broadband availability shows the following:

    | Region                        | Estimated Broadband Internet Availability (per 100 Inh.) |
    |-------------------------------|-----------------|
    | Eastern Europe and Central Asia | 0.3             |
    | Latin America and Caribbean    | 1.2             |
    | Western Pacific                | 2.5             |
    | Eastern and Southern Africa    | 2.6             |
    | Eastern Mediterranean          | 5.1             |
    | South East Asia                | 7.1             |
    | Eastern Europe and Central Asia| 11.7            |

    The estimated cost of coverage of geographic scope (sum of two proxy indicators: cost of Board member’s outreach to all capitals in the constituency, and estimated cost of bringing delegates to a regional constituency meeting.)

    | Region                        | Estimated Cost of Coverage of Geographic Scope |
    |-------------------------------|-----------------|
    | Western and Central Africa    | $61,276         |
    | Latin America and Caribbean   | $55,899         |
    | Western Pacific               | $54,865         |
    | Eastern and Southern Africa   | $36,667         |
    | Eastern Mediterranean         | $31,665         |
    | Eastern Europe and Central Asia| $24,355         |
    | South East Asia               | $21,867         |
Recommendations 1/2
Moving to a needs-based allocation, based on an ongoing assessment of needs

1 – Basis for funding allocation

The Global Fund should depart from an equal distribution of resources to each constituency, and define a process, guided by Board approved principles, to distribute financial and non-financial resources, based on a balance between shorter term delegation-level and longer term constituency-level needs.

The current ceiling that mandates equal funding for all constituencies could be made more flexible. The Office of Board Affairs could be empowered to use unspent funds within the overall operating expense envelope by the Board. These funds could be used to finance unfunded needs and priorities identified by the Office of Board Affairs in an annual constituency funding work plan.

Given constituency funding deals with a Board-approved mandate to finance certain Board constituents, care should be taken to assess and mitigate the potential real or perceived conflicts of interest in oversight arrangements.

2 – Ongoing assessment of the needs

The Head of Board Affairs position was recently created to, amongst other duties, increase the effective engagement of constituencies in Global Fund governance. The Office of Board Affairs should be tasked with preparing an annual work plan for constituency support articulating short term and longer term objectives, based on an assessment of financial and non-financial needs expressed in annual work plans submitted by constituencies.

The budgeted amount for constituency funding should be reviewed annually by the Head of Office of Board Affairs, and approved as part of the standard operating expense budget approval procedures.

3 – Access to allocated funds

The two-step application process should be abolished in favor of a single application process. Cash balances sitting in country should continue to be managed, yet savings should be encouraged and value for money should be pursued.
Recommendations 2/2

Scope for improvement in coordination of support, and oversight arrangements

4 – Coordination of support to constituencies

- More effort should be made to gather training and communication needs through annual constituency work planning, and coordinate service provisions from the Global Fund through the Office of Board Affairs.

- Newcomers on the Board, including alternate members and communication focal points would benefit from a package of orientation to familiarize themselves with Global Fund operations, strategy, and governance. This could include in person presentations, written material, and meeting with members of executive management.

- A cost-benefit analysis should be performed to assess whether translation of official documentation, including Board and Committee meeting reports and supporting documents could be offered based on needs to enable delegations to reach out to their wider constituencies. This could include translations of core documents presenting the Global Fund and its operations.

5 – Oversight arrangements

- The Coordinating Group should, according to its terms of reference monitor the use of constituency funding. Since the oversight hasn’t been effective to date, the adequacy of oversight arrangement should be reviewed in light of the work the Transitional Governance Committee is currently performing.

- The Office of Board Affairs may need to alter the sequencing of events, between reception of constituencies work plans, budgets, and expenditure reports to allow sufficient time to prepare an annual constituency funding work plan.

- Consideration should be given to move to a rolling two-year work plan, where funds would be disbursed on an annual basis.

- As part of the regular operating expense budget cycle, the Office of Board Affairs should provide an update on the implementation of the constituency funding work plan.
Implementer support at UNITAID is administered as a standard grant. Two civil society delegations on the UNITAID Board receive such grants: communities living with HIV/AIDS, malaria or tuberculosis, and nongovernmental organizations.

For 2013 and 2014, the Board approved a resolution to grant US$ 165,000 to cover the needs of both civil eligible civil society delegations. In both years the delegations shared a liaison officer paid out of the grant, and the grant was paid to OXFAM.

These funds are paid in two tranches, one at the beginning of the year, and the second upon reception of a semi-annual report. In addition to this, UNITAID spent US$ 178,500 on direct travel support in 2013-2014.

For 2015, separate proposals were received from both eligible civil society delegations. The UNITAID Board approved two grants:

- US$ 129,000 to the communities delegation, which is now hosted by the Global Network of People Living with HIV (GNP+), the same network that runs the Communities delegation on the Global Fund Board;

- US$ 92,000 to the NGO delegation, hosted by StopAIDS UK.

In addition, UNITAID pays for travel expenditures for attendance of eligible members to meetings of the Board, the Finance and Accountability Committee (twice a year), and various in-country consultations.

Support arrangements are adjudicated by the Governing Bodies team of the UNITAID secretariat, based in Geneva.

This is a comparison with another organization with relatively close business focus and Board composition.
Annex: Benchmark 2/3

GAVI alliance: a diversified package of support, overseen by a Governance Committee

- US$ 994,000 is earmarked in the 2015 operating expense budget for ten special advisors, six of whom are expected to service the one civil society and five developing country Board members.

- The Governance Committee, a standing committee of the GAVI alliance Board, approves generic terms of reference, key performance indicators, approaches for determining remuneration, defines and approves recruitment and selection process. The Committee also acts as final arbiter in case of disputes, and approves exceptions to the rules.

- The Board members are responsible for submission of at least three candidates to the Secretariat of the alliance in Geneva. The Secretariat is responsible for recruitment, selection, and assessment of performance.

- Special advisors remunerations are currently set by the Governance Committee set at level C or D of the UN National Officer Category scale, with contract tied to the term of their Board member.

- Starting from 2016 the CSO steering committee will be directly funded by GAVI alliance in the amount of US$ 390,000 per year, which is consistent with historical funding levels.

- The wider civil society constituency is also supported via two other grants: Catholic Relief Services, an international NGO, receives US$ 3.4 million for CSO participation in Health Systems Strengthening, and a Francophone Regional CSO platform in West Africa receives US$ 250,000 for advocacy support.

This is a comparison with another organization with relatively close business focus and Board composition.
Constituency funding at the Global Fund is in similar amounts to peer organizations.

<table>
<thead>
<tr>
<th>Comparable feature</th>
<th>Global Fund</th>
<th>UNITAID</th>
<th>GAVI Alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of voting members on the Board</td>
<td>20 voting members.</td>
<td>12 voting members.</td>
<td>27 voting members.</td>
</tr>
<tr>
<td>Size of the implementer group or similar</td>
<td>10 voting members.</td>
<td>3 voting members.</td>
<td>6 voting members.</td>
</tr>
<tr>
<td>Total constituency funding envelope</td>
<td>US$ 1,000,000 earmarked for constituency funding in Global Fund 2015 operating expense budget.</td>
<td>US$ 221,000 This amount is the sum of grants approved to support two civil society delegations. No such arrangement in place for African Union delegation.</td>
<td>US$ 994,000 earmarked for special advisors in GAVI 2015 operating expense budget. This amount covers salaries and travels for 9 special advisors, six of whom support implementer group or similar.</td>
</tr>
<tr>
<td>Number of delegates at Board meetings</td>
<td>10 members per constituency.</td>
<td>5 members per constituency.</td>
<td>At the discretion of the Board Chair.</td>
</tr>
<tr>
<td>Number of delegates per constituency fully funded for travel and per diem from operating expense budget.</td>
<td>3 delegates per implementer constituency fully funded from operating expense budget for each Board meeting, committee members also fully funded for committee meetings.</td>
<td>2 delegates are fully funded from operating expense budget for each Board meeting.</td>
<td>3 delegates are fully funded from operating expense budget for each Board meeting: Board member, alternate and focal point.</td>
</tr>
<tr>
<td>Number of additional delegates allowed</td>
<td>7 additional delegates may attend Board meetings.</td>
<td>3 additional delegates may attend Board meetings.</td>
<td>At the discretion of the Board Chair.</td>
</tr>
<tr>
<td>Amount paid for direct travel support from core operating expense budget.</td>
<td>US$ 473,697 in the 2014 operating expense budget for fully funded delegates from the implementer group (excl. leadership and AEC).</td>
<td>US$ 87,500 in the 2014 operating expense budget for participation to governance related meetings.</td>
<td>The total spend is estimated at around US$ 200’000 in actual expenditures.</td>
</tr>
<tr>
<td>Average cost per meeting participation (incl. travel and per diem)</td>
<td>105 individual participations to meetings covered under the above amount. Average cost of US$ 4511 per participation.</td>
<td>19 individual participations to meetings covered under the above amount. Average cost of US$ 4,605 per participation.</td>
<td>Estimated 40 individual participations to meetings covered under the above amount. Average cost estimated at US$ 5,000 per participation.</td>
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</tbody>
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