

REPORT OF THE POLICY AND STRATEGY COMMITTEE

PURPOSE:

This report summarizes the deliberations of the Policy and Strategy Committee (PSC) at its 16th meeting on 24-26 October 2011. It includes the decision points the PSC recommends to the Board for approval at its Twenty-Fifth Meeting, and the decision points taken by the PSC at its 16th meeting under delegated authority by the Board.

PART 1: INTRODUCTION

1.1 The Policy and Strategy Committee (PSC) met in Geneva on 24 – 26 October 2011 for its 16th meeting. The Chair was Dr. Suwit Wibulpolprasert (South East Asia), the Vice-Chair Mr. Todd Summers (Private Foundations).

1.2 This report includes the following items:

- i. **Part 2:** The Global Fund Strategy 2012-2016 (for Board decision)
- ii. **Part 3:** The Global Fund Evaluation Strategy 2012-2016
 - a. TERG Update: TERG 2011 Activity Report (for Board decision); and
 - b. The Global Fund Evaluation Strategy 2012-2016 (for Board decision)
- iii. **Part 4:** Key Performance Indicators
 - a. Key Performance Indicator (KPI) Mid-Year Report on Results for 2011 (for information)
 - b. Review of the Corporate Performance Framework (for Board decision)
- iv. **Part 5:** Governance Reform (for information)
- v. **Annex 1:** Guidance on Location of Further Information

PART 2: THE GLOBAL FUND STRATEGY 2012-2016

Decision

2.1 At its Twenty-Third Board Meeting, the Board requested the PSC leadership to establish a Working Group to further work on the Global Fund Strategy, together with the Secretariat. The Board also asked for regional and technical consultations to gather input into the draft Strategy (GF/B23/DP14).

2.2 The PSC, at its most recent meeting, discussed the Global Fund Strategy Framework (GF-PSC-16-02) (Strategy Framework) and the Global Fund Strategy 2012-2016: “Investing for Impact” (GF-PSC-16-03) (Strategy Document) including the goals and targets, the Strategic Objectives and their related Strategic Actions, and the Strategic Enablers.

2.3 The PSC welcomed the quality of the work done and recognized the Strategy as the product of an extensive consultative process with a broad range of stakeholders. In addition, the PSC thanked the Secretariat strategy team and the PSC Strategy Working Group for their hard work.

2.4 The PSC endorsed the Strategy Framework and the Strategy Document as providing a clear and inspiring roadmap for the Global Fund for the coming five years. In addition, the PSC members provided a number of specific comments on the Strategy Document, including the following:

- 2.4.1 **Refinement of goals and targets:** underscoring the importance of taking a simple approach that can be easily explained to stakeholders, the PSC requested further refinement of the proposed goals and targets to provide more clarity.

- 2.4.2 **Revision of text the on Maternal, Newborn and Child Health (MNCH):** While acknowledging the potential of a targeted MNCH initiative, the PSC recommended that further analysis and Board discussion of such an effort be undertaken only after successful implementation of the Consolidated Transformation Plan.
- 2.4.3 **Revision of the text on human rights:** the PSC requested refinement of the text on the Global Fund's role in relation to human rights protection, in particular to clarify that the Global Fund does not play a normative role in human rights. However, there was general recognition about the impact of negative human rights environments on disease outcomes and agreement amongst PSC members that the Global Fund should do more to advocate for human rights to the extent to which constrained human rights have a negative impact on the three diseases (and particularly on HIV).
- 2.4.4 **Reflection of partners' roles in Strategy implementation:** the PSC requested adjustments be made in key places of the Strategy Document to further reflect the critical role of partners in the successful implementation of the Strategy, and to take into account the need to better utilize relevant technical and development partners in order to support increased contributions by countries to address the three diseases and improve health overall.

2.5 The comments above were incorporated into the Strategy Document during the course of the PSC meeting or within the following week. Other PSC member comments will be addressed during Strategy implementation. A paper (**GF/B25/7**) including both the revised Global Fund Strategy Framework 2012-2016 and the revised Global Fund Strategy 2012-2016 has been submitted to the Board for consideration at its Twenty-Fifth Meeting.

2.6 The Policy and Strategy Committee agreed to recommend to the Board a decision point approving the Strategy (**Decision Point 1: The Global Fund Strategy 2012-2016**) that is enclosed in the Strategy paper submitted to the Board.

PART 3: THE GLOBAL FUND EVALUATION STRATEGY 2012-2016 Decision

a. TERG Update: TERG 2011 Activity Report

3.1 Dr. Mickey Chopra, the new Chair of the Technical Evaluation Reference Group (TERG), provided an update on TERG activities since implementation of its new Terms of Reference (adopted at the Twenty-Second Board meeting) and his subsequent selection by the TERG as its new Chair.

3.2 Work undertaken in 2011 included: (i) provision of significant input to develop the Global Fund Evaluation Strategy 2012-2016, including deliberations on the accountability and the distribution of work among the Secretariat, TERG and the Office of the Inspector General (OIG); (ii) evaluation of the Global Fund's funding of in-country monitoring and evaluation (M&E) systems (to be completed in January 2012); (iii) planning for evaluation of the Affordable Medicine Facility for malaria (AMFm); and (iv) commentary on formative evaluations of the Sexual Orientation and Gender Identity (SOGI) and the Gender Equality Strategies.

3.3 The TERG Chair also acknowledged the strong working relationship being developed between the TERG and the Secretariat, including support provided to the TERG by the Secretariat through the TERG Support Team.

3.4 The PSC commented on the importance of more effectively utilizing TERG expertise going forward, in order to improve effectiveness of Global Fund supported programs, Global Fund operations, and strategic decision making both by countries and the Global Fund.

3.5 Building on a presentation by the TERG Chair, the PSC expressed the need to establish formal processes to: (i) consult and work more closely with stakeholders, including the OIG and the Technical Review Panel (TRP), in defining priorities for the TERG work plan; (ii) ensure that outputs from TERG evaluations are fed back to TRP, incorporated into improving grant management, Global Fund operations and lesson learning; and (iii) clarify the scope, timing and mechanism through which the TERG reports to the Board.

3.6 The PSC also provided a number of comments, including (i) a possible future self-evaluation of TERG effectiveness and impact; (ii) the need to revisit the timing of the evaluation of Health Systems Funding Platforms; and (iii) the need to ensure that outcomes from the SOGI evaluation are internalized by the Global Fund Secretariat.

3.7 The PSC agreed to recommend extending terms of five existing TERG members to allow time for new Global Fund governance structures to be established, including oversight mechanisms of the TERG by the Strategy, Investment and Impact Committee.

3.8 The Policy and Strategy Committee agreed to recommend to the Board the following decision point:

Decision Point 2: TERG Replenishment

Recognizing that the recruitment and selection of new TERG members will in the future be managed by the new Strategy, Investment and Impact Committee, the Board decides to extend the terms of current TERG members Minister Dorothée Kinde Gazard, Prof. Wim Van Damme, Mr. Stein-Erik Kruse, Dr. Kumaraswami Vasanthapuram, and Dr. Lixia Wang until the end of the first Board meeting of 2012, in order to allow time for the new Strategy, Investment and Impact Committee to conduct an open, transparent, and criteria-based process for recruitment and selection of new TERG members, as required under the TERG Terms of Reference (GF/B22/4, Annex 5).

This decision does not have material budgetary implications for the 2011 operating expenses budget or for the TERG budget.

b. The Global Fund Evaluation Strategy 2012-2016

3.9 The draft Evaluation Strategy was discussed at the 15th PSC meeting in March 2011, at which time the PSC provided a series of comments to enable the Secretariat to finalize the document. The comments provided by the PSC at its 15th meeting included, among others, the need to identify mechanisms to evaluate the implementation and success of the Global Fund Strategy 2012-2016.

3.10 Professor Rifat Atun presented to the PSC the Global Fund Evaluation Strategy 2012-2016 (Evaluation Strategy) signed off by the Executive Management Team, which incorporates not only comments received from PSC at its 15th meeting, but also inputs from Global Fund partners and stakeholders, as well as the TERG.

3.11 The PSC indicated broad support for the proposed Evaluation Strategy, thanking the Secretariat and TERG for its development. The PSC agreed that it should be further revised after the finalization of the Global Fund Strategy 2012-2016 to ensure full alignment of the two. Furthermore, recognizing the importance of ensuring Board oversight of the annual evaluation activities, the PSC also requested the submission of annual evaluation implementation plans by the TERG to the Board.

3.12 The PSC members provided a number of inputs to further ensure that the Evaluation Strategy responds to the Global Fund's strategic, organizational and operational needs, including the need to:

- (i) provide a more strategic vision for the evaluation function;
- (ii) work with countries to produce data and information that countries can utilize to improve grant implementation;
- (iii) embed into the grant management processes a strong feedback loop of evaluation findings;

- (iv) harmonize with partners on the ground in implementing evaluation work to avoid any duplication; and
- (v) ensure that the annual evaluation implementation plan is realistic in relation to management of costs and results, drawing on best practice among other international institutions.

3.13 A number of critical issues raised by stakeholders during Global Fund Strategy consultations were raised in relation to the proposed Evaluation Strategy, including the need to:

- (i) review cost-effectiveness of the Global Fund business model and attrition of money through 'the system', as perceived by a number of implementers providing care on the ground;
- (ii) review management of problem grants, and those which have been suspended or terminated in order to examine what worked or did not work, system responses and the management actions undertaken to address the problems identified;
- (iii) ensure that Global Fund evaluation activities are part of and connected to national evaluations, while maintaining transparency and independence; and
- (iv) focus on the quality rather than quantity of the evaluations to be undertaken on the Global Fund's effectiveness and impact, and prioritize countries to reflect the size of Global Fund investments and relative to disease burden.

3.14 The PSC reminded the Secretariat that the timing of evaluation activities would need to take into account not only the Periodic Review cycle, but also the need to contribute to generation of robust, reliable data for production of documents for the 2012 replenishment efforts.

3.15 The Policy and Strategy Committee agreed to recommend to the Board the following decision point:

Decision Point 3: The Global Fund Evaluation Strategy 2012-2016

The Board:

- 1. Approves the Global Fund Evaluation Strategy 2012-2016 (as set out in Annex 1 to the Report of the Policy and Strategy Committee (GF/B25/12));***
- 2. Acknowledges that the Global Fund Evaluation Strategy 2012-2016 may require additional revisions in order to ensure consistency with the final Global Fund Strategy 2012-2016, as approved under GF/B25/DP[*], and requests that the Secretariat, working together with the TERG, update the Global Fund Evaluation Strategy 2012-2016 as may be required;***
- 3. Requests the TERG to develop an annual implementation plan for the Global Fund Evaluation Strategy 2012-2016; and***

- 4. Requests the TERG, through the new Strategy, Investment and Impact Committee, to submit a revised Global Fund Evaluation Strategy 2012-2016 and the first annual implementation plan to the Twenty-Sixth Board Meeting for approval, and to submit subsequent annual implementation plans thereafter.**

This decision does not have any material budgetary implications for the 2011 operating expenses budget.

PART 4: KEY PERFORMANCE INDICATORS

Decision

a. Key Performance Indicators (KPI) Mid-Year Report on Results for 2011

4.1 The Secretariat presented the mid-2011 KPI results to the PSC. Overall, the performance of the Global Fund remained stable in the first six months of 2011 compared to mid-2010 results. Areas of concern were also identified, namely Donor Contributions (KPI 1), Volume of Financing (KPI 11), and Speed of Grant Signing (KPI 9).

4.2 The PSC expressed strong concerns on the underperformance on a number of grant-related indicators including Volume of Financing, and Portfolio results on (i) insecticide treated nets distributed; (ii) cases of malaria treated; and (iii) people treated for multi-drug resistant tuberculosis (MDR-TB), also noting increased risk aversion among Secretariat staff members engaged in direct grant management.

4.3 There was general acknowledgement that the end result of failure of Global Fund performance is lives lost, citing the examples of rebound in child malaria deaths that follows disruption in delivery and distribution of insecticide treated bed nets in some Global Fund recipient countries. The PSC recognized that it is in the interest of all Global Fund partners and stakeholders to ensure delivery on the mission while managing risk to the portfolio.

4.4 During its discussion, the PSC recognized the importance of avoiding creation of perverse incentives in relation to disbursements of funds to meet volume of financing targets and agreed that disbursement decisions should be made in a way that differentiates and actively manages risk.

4.5 The PSC expressed keen interest in better understanding how underperformance detected through KPI monitoring feeds into decision making at the Secretariat, particularly among staff members engaged in direct grant management. The Director of Country Programs briefed the PSC on management actions underway to reduce risk aversion among grant management staff members.

4.6 The insights provided by the Director of Country Programs were greatly appreciated by the PSC. The PSC also welcomed the opportunity to open up a dialogue on grant management and performance issues with the Secretariat, commenting that many of the concerns raised would become a major focus of the new Strategy, Investment and Impact Committee and the Finance and Operational Performance Committee, as well as the Board. In particular, the PSC agreed that lessons learned from underperformance on the speed of grant signing should feed into the design of the new “iterative funding model.”

4.7 The PSC acknowledged the central role of the KPI framework in the new governance structure, and the need to improve its utility as an instrument for accountability and as a management tool in ensuring the impact of the Transformation Program.

4.8 The PSC approved the following decision point:

PSC Decision Point 1: Key Performance Indicators Mid-Year Report on Results for 2011

Policy and Strategy Committee:

- 1. Notes the mid-2011 results of the Key Performance Indicators presented in GF/PSC16/06 and recognizes that these preliminary results will be confirmed in the end 2011 report;***
- 2. Notes with concern the deteriorating performance of four grant-related indicators, and the negative impact of this deterioration on the achievement of the mission of the Global Fund;***
- 3. Requests the Secretariat to assess the reasons for and implications of this underperformance and propose actions to be taken by the Secretariat, partners, and/or the Board to address issues identified; and***
- 4. Directs the Secretariat, through the new Strategy, Investment and Impact Committee, to report to the Board at its Twenty-Sixth Meeting on its findings and proposed actions.***

This decision does not have any material budgetary implications for the 2011 operating expenses budget.

b. Review of the Corporate Performance Framework

4.9 The PSC thanked the Secretariat for the solid quality of the KPI report and the KPI external review, requesting that KPIs should receive significant attention from the leadership of the Secretariat, the relevant Committees and the Board.

4.10 The PSC agreed on the following:

- (i) there should be one comprehensive KPI Framework and reporting structure to monitor corporate performance;

- (ii) overall responsibility and ownership of the KPI Framework should rest at the Board level, with KPI monitoring and corrective actions discussed and overseen by the relevant Board Committees and the Coordination Group;
- (iii) KPIs should be aligned with the new Strategy and the new Governance structure, and measure impact of planned reforms; and
- (iv) KPIs should play a critical role in supporting creation of a “learning organization” and improving Global Fund accountability.

4.11 The PSC also recognized the importance of ensuring sufficient resourcing at the Secretariat to review the KPI Framework in order to meet the reporting demands under the proposed new Governance structure.

4.12 The PSC approved the following decision point:

PSC Decision Point 2: Independent Review of the KPI Framework

The Policy and Strategy Committee endorses the findings of the Independent Review of the Key Performance Indicator Framework presented in GF/PSC16/07.

4.13 The Policy and Strategy Committee agreed to recommend to the Board the following decision point:

Decision Point 4: Review of the Corporate Performance Framework

The Board:

- 1. Refers to the PSC’s endorsement of the findings of the Independent Review of the Key Performance Indicator (KPI) Framework (GF/PSC16/07), and requests the Secretariat to revise the KPI Framework in light of that Independent Review, the High-Level Panel recommendations (approved under GF/B24/DP3), and the Global Fund Strategy 2012-2016 (as approved under GF/B25/DP[*]);***
- 2. Requests the Secretariat to submit the revised KPI Framework to the Board Coordinating Group for a decision to approve any revisions; and***
- 3. Requests the Secretariat, working with the new Finance and Operational Performance Committee, to allocate sufficient resources to review the revised KPI Framework in order to meet the reporting demands required by the new governance structure (as approved under GF/B25/DP[*]).***

This decision does not have any material budgetary implications for the 2011 operating expenses budget.

5.1 Mr. Simon Bland, Chair of the Global Fund Board, presented to the PSC a detailed progress update on the Governance Reform Initiative that will be discussed at the Twenty-Fifth Board meeting. A series of specific questions were posed to PSC to inform the new Global Fund Governance structure and processes.

5.2 In relation to new Board Committee composition, PSC members expressed preference for 16-member composition for both the Finance and Operational Performance Committee and the Strategy, Investment and Impact Committee. The PSC-recommended structure comprises the following:

- 10 voting members (5 donors, 5 implementers)
- 1 non-voting Chair and 1 non-voting Vice Chair
- 2 non-voting members, and
- TRP Chair (non-voting) & TERG Chair (non-voting)

5.3 The Board Chair informed the PSC that as per the current proposed Governance structure, each Board constituency will be represented in either of Finance and Operational Performance or Strategy, Investment and Impact Committees, subject to competency-based selection processes, and regardless of whether the same constituency is represented as non-voting Chair or Vice-Chair.

5.4 The Board Chair added that, in addition to an independent Chair and a Board-appointed Vice-Chair, it is proposed that the Audit & Ethics Committee retain the current Board-agreed configuration of 7 members, including 3 Board representatives and 4 independently recruited representatives.

5.5 In relation to the process for nomination of Committee Chairs and Vice Chairs, PSC members expressed preference to allow constituencies to nominate qualified individuals, based on the Terms of References, from a broader talent pool of the Board beyond their constituency.

5.6 The PSC agreed on the need to clearly differentiate the profile requirements for Board Committee leaders and members in the selection process, and that Board Committee leadership must fulfill a few core profile requirements, such as impartiality (the ability to act independently) and significant time availability.

5.7 The Board Chair agreed that other inputs submitted by PSC members to the Board Chair would also be considered in finalizing the new Governance, Board / Board Committee structure and processes.

This document is part of an internal
deliberative process of the Global Fund and as
such cannot be made public until after the
Board meeting.

GUIDANCE ON LOCATION OF FURTHER INFORMATION

The following table indicates where further information on items dealt with in this report can be found:

Item: Location of Further Information: All documents are available on the Governance Extranet password-protected website: http://extranet.theglobalfund.org/cme/default.aspx
GF/B25/7 Global Fund Strategy Framework 2012-2016 Global Fund Strategy 2012-2016: Investing for Impact <u>Attachment 1</u> : "Review of HIV/AIDS, tuberculosis and malaria landscape for the Global Fund Strategy 2012-2016" <u>Attachment 2</u> : "Summary report from the regional and TRP consultations on the Global Fund Strategy 2012-2016" <u>Attachment 3</u> : "Background information on the goals and targets for the Global Fund Strategy 2012-2016"
GF/PSC16/04 <u>TERG Update</u> : TERG 2011 Activity Report
GF/PSC16/05 The Global Fund Evaluation Strategy 2012-2016
GF/PSC16/06 <u>Key Performance Indicators</u> : Mid-Year Report on Results for 2011
GF/PSC16/07 <u>Independent Review of the KPI Framework</u> : Review of the Corporate Performance Framework
GF/PSC16/08 <u>Governance Reform</u> : Board Leadership Update on Governance Reform Initiative