Advisory Report

# Governance Review

Proposed improvements for the Board and its Committees

GF-OIG-17-009
28 April 2017
Geneva, Switzerland

The Global Fund
Office of the Inspector General

# Publication note

This Advisory Report was completed by the Office of the Inspector General on 28 April 2017 and shared with the Global Fund Board.

Reports related to the advisory activities of the OIG are not subject to mandatory public disclosure and the determination as to whether they are published is made by the Inspector General in consultation with the sponsor of the engagement.

At the request of the engagement sponsor, the Leadership of the Global Fund Board, the Advisory Report's publication was delayed by the Inspector General until the finalization of a Governance Action Plan responding to the findings of this report.

This Plan (GF/B39/16 "Governance Action Plan 2017-2019") was completed in May 2018. The introduction by the Board Leadership presenting this document to the whole Board advised publishing the Advisory Report, and Board Leadership subsequently asked the OIG publishes the Advisory Report.

# Introduction

This follow-up review was part of the Office of the Inspector General (OIG)'s 2016 audit plan to assess the progress made in strengthening governance at the Global Fund. This report presents the OIG's key observations from its review of the Global Fund's Board, its Coordinating Group and three standing Committees.

The review focused on changes made in response to previous governance reviews including the OIG review in 2014, specifically looking at the recommendations and subsequent implementation of the Governance Plan for Impact developed by the Working Group on Governance established in March 2014 and implemented by a Transitional Governance Committee that concluded its work in April 2016.

In this review, the OIG builds on previous evaluations which have helped to improve Global Fund governance as well as new work which includes interviews, data analysis, benchmarking and comparisons with international codes of practice.

The OIG's observations are presented in four parts.

- Part one sets the scene by providing key background information about the Global Fund's governance structures.
- Part two summarizes the review objectives, scope, approach and conclusions.
- Part three summarizes high-level observations related to core governance functions.
- Part four provides more detailed observations.
- Part five provides a summary of recurrent governance issues

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# PART ONE
# Background

This section highlights the 2014 OIG review findings and key changes made since then to strengthen the Global Fund governance structure.

# Background

## Global Fund governance structure

The Global Fund governance framework is made up of the Board, the Coordinating Group and three Standing Board Committees. These entities are governed by the policies and procedures set forth below.

**Board**

**Coordinating Group**

The Coordinating Group is chaired by the Board Chair and comprises the Board Vice Chair, and the Chairs and Vice Chairs of the three standing Committees. The Coordinating Group is responsible for ensuring coordination and collaboration between the Board and the Committees of the Board, including, among other areas of work, ensuring collaboration across the committees with respect to cross-cutting matters, including risk management and organizational performance.

| Strategy Committee | Audit and Finance Committee | Ethics and Governance Committee |
|---|---|---|

The three **Standing Board Committees** are empowered to make certain decisions, to provide oversight and to make recommendations on their respective areas of responsibilities.

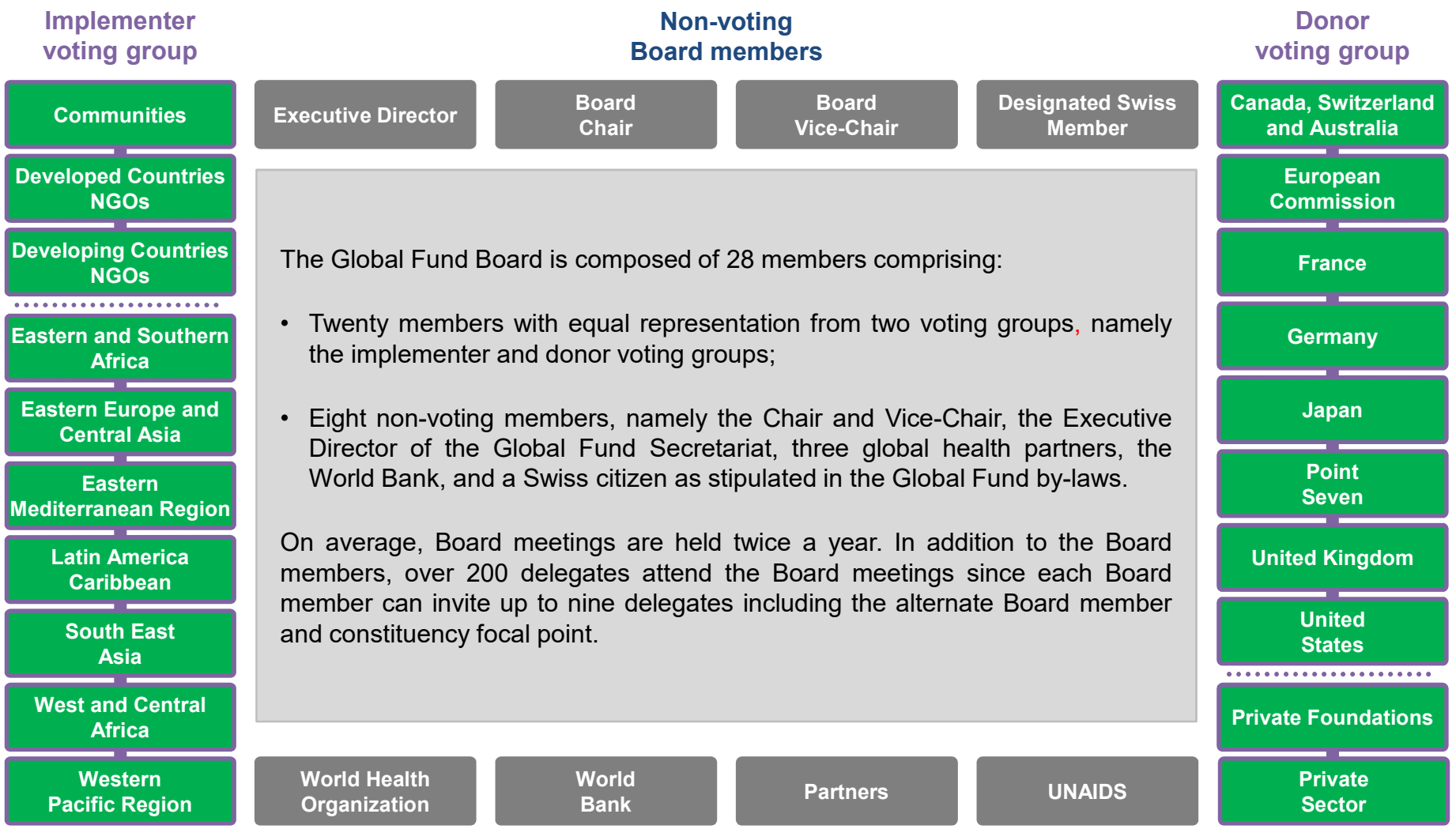
**Core governance documents**

| | |
|---|---|
| By-laws | The Global Fund is a multi-stakeholder international financing institution. It is governed by its by-laws and applicable provisions of Swiss law |
| Operating Procedures | The Board and Committees are regulated by the Board and Committee Operating Procedures. |
| Committee Charters | Each of the Committees is established under a charter that outlines decision-making, advisory and oversight authority. |
| Terms of Reference | Roles and responsibilities of the Board Chair and Vice-Chair, Coordinating Group, Executive Director and Inspector General are defined in their terms of reference. |
| Code of Ethics and Conduct | An Ethics and Integrity Framework and a Code of Ethical Conduct for Governance Officials have been put in place. |

# Background

## Global Fund Board composition

The Global Fund Board is the supreme governing body of the Global Fund.



# Background

## OIG Governance review in 2014 – Recap of key conclusions *(*)*

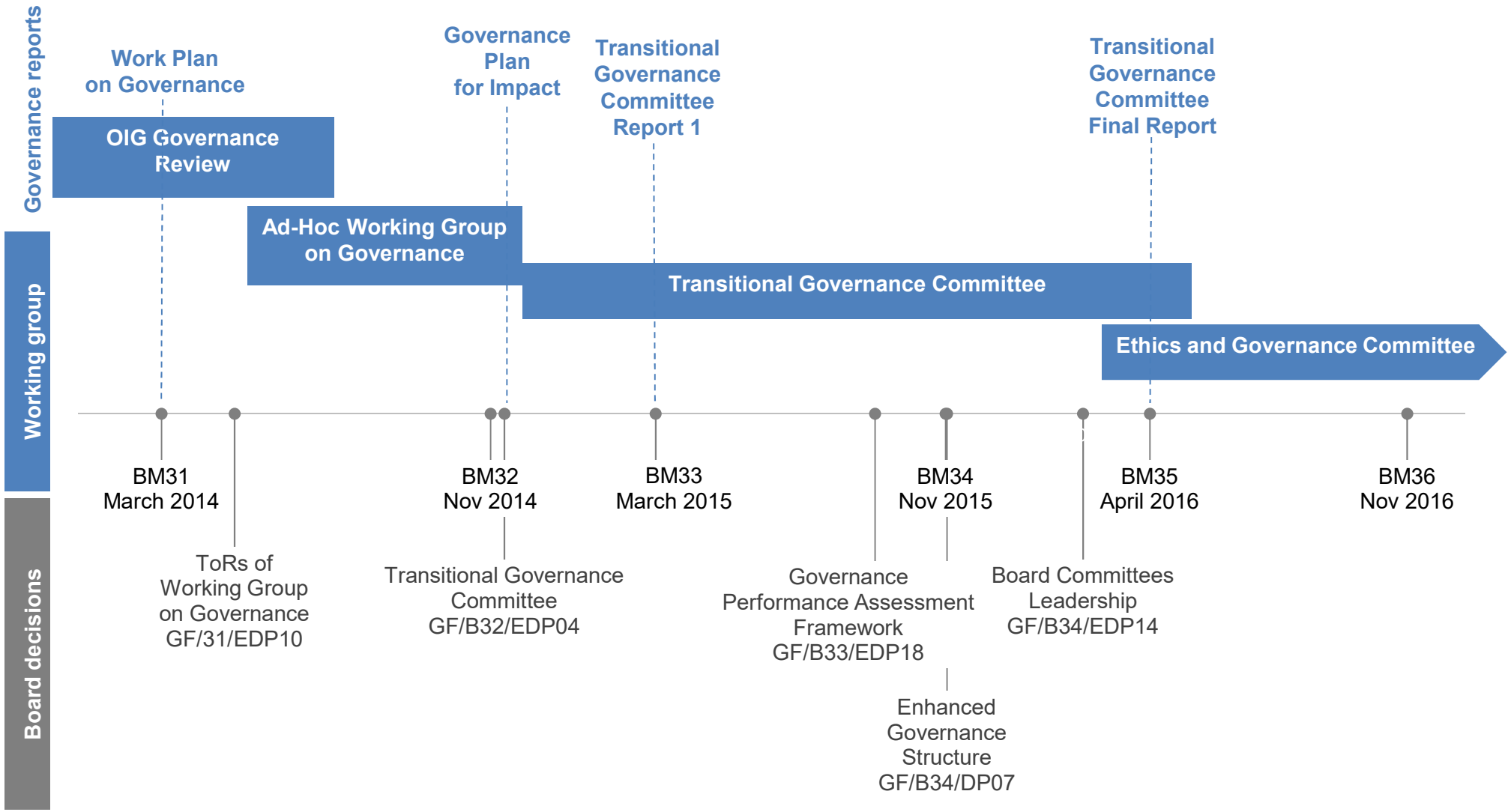
The OIG undertook a comprehensive review of the Global Fund governance framework and the functionality of the Board, the Coordinating Group and the three standing Committees. The OIG measured the effectiveness of the execution of the six Board functions and identified areas for improvement in the execution of three core functions, that is, the assessment of organizational performance, risk management and governance oversight. The high level observations are summarised by Board function below:

| Board Function | High level observations (2014) |
|---|---|
|  Strategy development | The Board has successfully overseen major strategic transformations in the past three years. This includes radical changes to the organization's funding model designed to increase the impact of its investments. |
|  Commitment of financial resources | The Global Fund has significantly overhauled its financial processes which helps to prevent unnecessary bottlenecks in grants. The Board has effective structures in place to approve key financial aspects, including the annual financial report and funding application. |
|  Partnership engagement, resource mobilization and advocacy | The Global Fund governance structure is inclusive and stimulates collaboration and engagement with all stakeholders. Partners are actively involved at all levels; they support resource mobilization efforts and collectively advocate for the organization. |
|  Assessment of organizational performance | The Board has periodically reviewed the Global Fund model and instituted key changes to enhance organizational and governance body performance. Going forward it should invest time evaluating performance against the strategy and monitor the effectiveness of its Committees. |
|  Risk management | The Board is responsible for determining the risk appetite of the organization and ensuring that an effective risk management system is in place. It is not clear how the Board is fulfilling its duties with respect to this core governance function. |
|  Governance oversight | The basic building blocks of governance are not in place and fail to provide an effective platform for decision-making, coordination and oversight. |

*(*) Governance Review, GF-OIG-14-008, June 2014*

# Background

## Key governance developments since 2014



PART TWO

# Objectives, scope, approach and conclusions

Part two summarizes the approach and methodology used, including the sources of evidence to support the observations.

This also includes updated conclusions on the Board's effectiveness in executing its six core functions.

The three core functions previously rated as effective, that is strategy development, commitment of financial resources and partnership engagement, resource mobilization and advocacy were re-evaluated based on a high level assessment of key developments since 2014 and taking into account relevant findings from other OIG audits.

The detailed follow-up work was, therefore, focused on the three areas that were identified for improvement, that is risk management, assessment of organizational performance, and governance oversight.

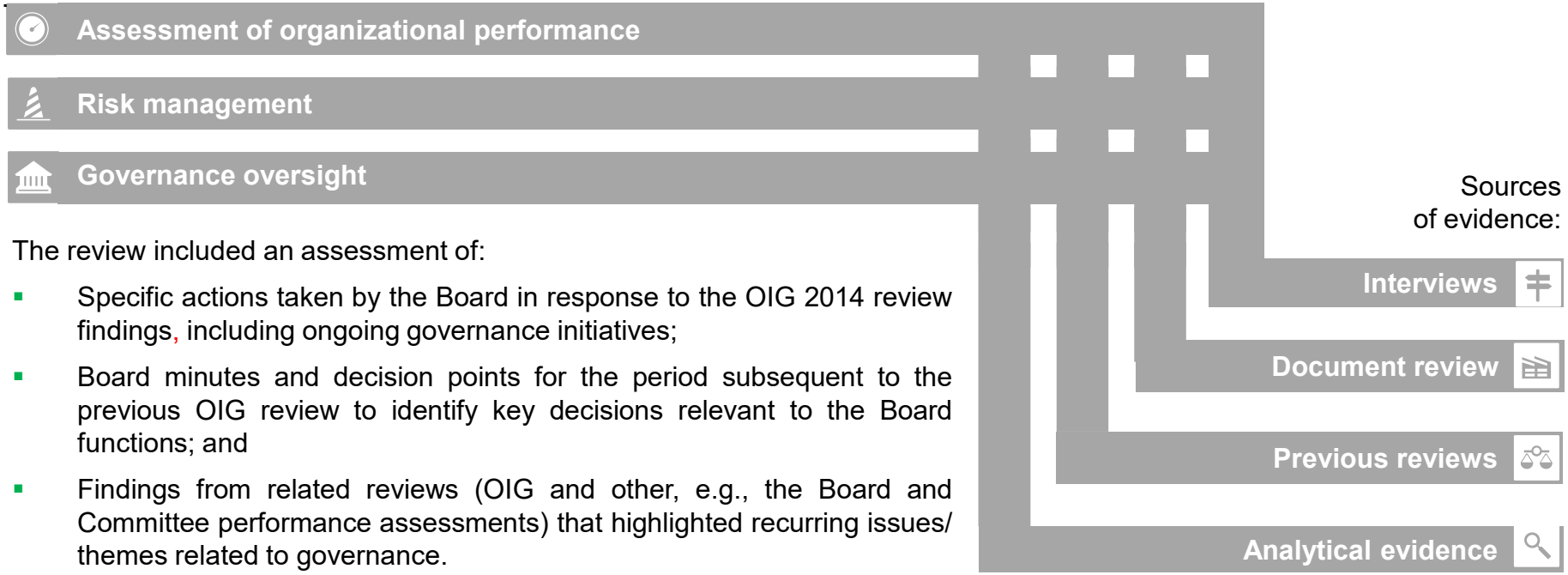
# Objectives, scope, approach and conclusions

## Objectives, scope and approach

The objectives of the governance follow-up review were to:

- Assess the adequacy and effectiveness of changes made to governance systems and processes since the last review, in ensuring that the Board is in position to effectively carry out its mandate; and
- Identify recurring governance issues and present their root causes for consideration by the Board and senior management in finding lasting solutions to known issues.

The focus of the follow up review was on the three Board functions identified for improvement in the 2014 OIG review below. A detailed assessment was not performed on the other three Board functions noted to be effective i.e. strategy development, commitment of financial resources and partnership engagement, resource mobilization and advocacy.




The review included an assessment of:

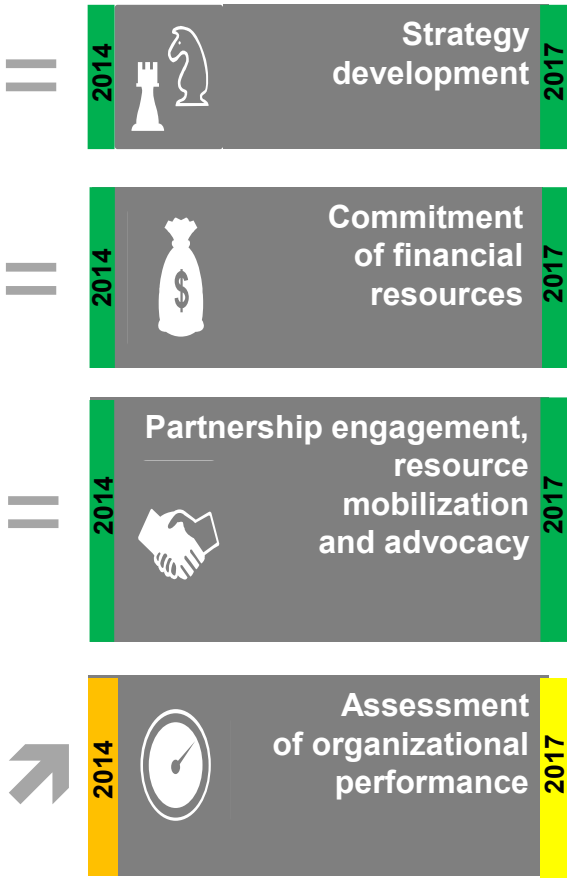
- Specific actions taken by the Board in response to the OIG 2014 review findings, including ongoing governance initiatives;
- Board minutes and decision points for the period subsequent to the previous OIG review to identify key decisions relevant to the Board functions; and
- Findings from related reviews (OIG and other, e.g., the Board and Committee performance assessments) that highlighted recurring issues/ themes related to governance.

# Objectives, scope, approach and conclusions

## High level conclusions

The OIG measured the current (2017) effectiveness of the execution of the six Board functions in comparison with 2014. The conclusions below show that three functions are considered generally effective while three need improvement.

**2014 vs 2017 high level conclusions by Board Function**




The 2016 OIG audit of the strategy development processes acknowledged that the 2017-22 strategy planning process was a significant improvement from the previous exercise, and was supported by extensive internal and external consultations.

The Board has effective structures in place to provide adequate financial oversight. This represents a large part of the Board's decision-making role with 38% of decisions between the 32nd (November 2014) and 36th (November 2016) Board meetings related to the Commitment of Financial Resources with the majority being electronic decisions to approve funding proposals.

The Board oversaw a successful fifth replenishment which mobilized US$12.9 billion for the three-year period from 2017 to 2019. Partnership engagement is a crucial area as Global Fund increasingly tackles areas in which this will be core to success. With the Global Fund's health impact goals and targets for the 2017-22 strategy explicitly linked to partners' global plans, the Board should ensure partnerships are effectively leveraged at the implementation level for greater country impact.

There have been improvements in the structures and processes around organizational performance with a clear link between the strategy implementation plan and the key performance indicator framework. As the organization shifts from strategy development to implementation, it is expected that more time will be spent on assessment of organizational performance.

# Objectives, scope, approach and conclusions

## High level conclusions


Significant improvements in Global Fund governance since 2014 including updated Committee structures and governance processes. However, challenges remain affecting the Board's ability to provide effective oversight that can be attributed to inherent conflicts in the governance structures and cultural aspects such as trust and accountability.


Challenges remain in defining risk appetite and tolerance. Without clearly articulated risk guidance, it is difficult for the Board to hold the Secretariat accountable for taking considered risks in pursuing the Global Fund's mandate and developing appropriate mitigation strategies.

# PART THREE
# Executive Summary

Part three presents the OIG's high-level observations across the three core Board functions identified for improvement in the 2014 review, that is, risk management, the assessment of organizational performance and governance oversight.

# Executive summary

2017 is a pivotal year from a governance standpoint with significant changes coming to the Global Fund leadership. The Executive Director, the Board leadership, the Chair of the Technical Evaluation Reference Group and a number of executive managers will change this year. 2017 also marks the beginning of a new strategy and allocation period, with grant making for the majority of countries.

Governance at the Global continues to evolve as the organization grows and matures. An effective governance structure is critical to the Global Fund's success since it ensures that the organization remains aligned with strategic goals and is operating within established boundaries as defined by its by-laws and internal policies. It provides a framework for balancing the expectations and interests of the multiple stakeholders (donors, implementers, beneficiaries, technical partners etc.). Having an effective Board that has a clear view of the organizational performance builds credibility among the stakeholders including the wider development community and provides a platform for fundraising.

Significant improvements since 2014

There have been significant improvements in many of the areas highlighted in the 2014 Governance review with critical gaps addressed, including but not limited to:

- An enhanced governance structure with revised Committees including, for the first time, a standing Committee dedicated to governance. The Coordinating Group's mandate reduced to focus on coordination role including overseeing cross-cutting issues;
- An effort to align skillsets of members with applicable roles and Committee mandates;
- The development of an integrity framework and the appointment of an Ethics Officer to oversee its implementation;
- Use of an integrated approach to develop the 2017-22 strategy, allocation and key performance indicator framework;
- The roll-out of standardized induction training for Board and Committee members;
- A Governance Performance Assessment Framework established covering the performance of the Board, its standing Committees plus its leadership;
- Assessment of resource allocation to the implementer group followed by an updated constituency funding policy as part of the efforts to strengthen the implementer voice;
- A risk management framework and risk differentiation policy approved by the Board. Risk management now a standing agenda item for the Board and Committees and an annual assurance statement on risk submitted to the Board by the Chief Risk Officer.

# Executive summary

The actions taken have strengthened the Board's ability to execute its roles. The three areas that were previously identified as needing strengthening, that is, risk management, the assessment of organizational performance and governance oversight have shown significant improvement. However, some important issues remain unaddressed and these are summarized in the paragraphs below.

Assessment of organizational performance

**Assessment of organizational performance:** The basic building blocks are in place to ensure effective monitoring of performance. A Board-approved Strategic KPI Framework is in place and performance updates are a standing agenda item for both the Board and Committees. While it is too early to evaluate effectiveness of processes put in place, with the agreement of performance targets early in the strategic cycle and KPIs now a standing agenda item for the Board and Committees, the monitoring of organizational performance is expected to greatly improve.

Risk Management

**Risk management:** Since 2014, the Board has approved a risk management framework and risk differentiation policy. Risk management is also a standing agenda item for the Board and Committees and an annual assurance statement on risk is submitted to the Board by the Chief Risk Officer.

However, the Board has not resolved the difficulties around defining the organization's risk appetite and tolerance. The Board is now showing increasing willingness to tackle the issue of risk appetite and the Secretariat is working with the Audit and Finance Committee on a preliminary approach; however, this effort still remains at a nascent stage. In consequence, the Secretariat lacks guidance and a clear mandate from the Board in relation to taking considered risks in pursuing the Global Fund's mandate. The earlier assignment of risk oversight to the three standing Committees without clear definition of the modalities and coordination processes has resulted in sub-optimal oversight with limited focus on wider risk issues beyond fiduciary risk. The mechanisms to monitor and follow-up risk issues also remain inadequate.

These issues are due to several factors including the broad nature of the risk spectrum, and the acknowledged lack of requisite risk management knowledge at the Board.

# Executive summary

Governance Oversight

**Governance oversight:** The Board has made significant progress in addressing gaps related to Committee structure, overall processes and competencies. Yet while these aspects are important, on their own they are insufficient to ensure Board effectiveness. A number of issues identified as far back as 2002 remain unresolved. These remaining gaps are much harder to address because they involve more than just process. These include suitability of the Board size, structure and composition; failure to prioritize and focus on strategic matters; challenges in maintaining institutional memory; and Behaviors affecting Board effectiveness including managing conflicts of interest so that decisions are made in the best interest of the organization, mutual trust and accountability.

Suitability of the Board size, structure and composition

One fundamental element to the Board's effectiveness that has remained unresolved is the Board size, structure and composition. There has been little progress in obtaining consensus on the **suitability of the Board structure** in the context of a rapidly changing economic and development landscape. Key aspects of the structure that have been discussed include the voting mechanism and its perceived impact on decision making, the Board size and its potential impact on effectiveness, and how to attract and accommodate new donors within the current structure.

These are inherent tensions within the current model with no easy solutions. As the Transitional Governance Committee pointed out, "without a clear shared vision on the future direction of the Global Fund beyond the current Strategy, and with no clear majority within the Board on any of the proposed options for Board size and composition, the TGC determined it would be premature to recommend any radical restructuring of the Board at the current time". However, the Board's decision to push the decision on the Board structure to 2019/20 implies that these issues will continue to impact the effectiveness of the Board.

# Executive summary

Failure to prioritize and focus on strategic matters

The **need to prioritize and focus** what is presented and discussed at the Board and Committee meetings on strategic matters is a recurring issue. The number of topics on the agenda, the balance between information and discussion points, and the overwhelming amount of documentation has a negative impact on the level of engagement, especially for Board and Committee members with limited support structures. The level of detail that the Board should be involved in has been a continuous source of debate since 2002, when the first working group on governance presented concerns that the Board is too focused on operational matters. Underlying this is a perceived lack of trust among the Board members, and between the Board and the Secretariat.

Challenges in maintaining institutional memory

The **loss of institutional memory** due to the high turnover rate at the Board is of concern. In just the previous four Board meetings, only 38% of the Board/ alternate Board members who attended the 33rd Board meeting in April 2015 also attended the 36th meeting in November 2016. There is a similar trend at the Committee level where only 25% of previous Committee members serve on the newly created Committees. Whilst much of these changes are by design, the constituency management guidelines that are currently under revision need to build in an explicit strategy for maintaining institutional memory.

Behaviors affecting Board effectiveness

While structures and competencies are important for successful boards, values and culture drive behaviors necessary for Board effectiveness. The inclusive partnership model has **inherent conflicting values** that have to be continuously managed, for example, the need for inclusiveness versus efficiency with regard to Board size, duty of care to the organization versus the duty to serve the constituency etc. There are also concerns over the management of confidential or sensitive information. These aspects are much harder to address because they involve more than just process and are dependent on cultural aspects such as trust and accountability.

The Global Fund's attainment of a higher stage of maturity will be dependent, amongst other things, on having effective oversight at the Board level. As the Board continues to improve the policies and processes to enable it execute its mandate, this must go hand in hand with tackling the wider structural and cultural issues. The recurrent issues highlighted in the Annex are symptomatic of these fundamental challenges.

# PART FOUR
# Findings

Part four presents the OIG's more detailed observations across the three core Board functions identified for improvement namely, governance oversight, risk management and the assessment of organizational performance.

This part also details the factors that underpin Board efficiency and effectiveness. These are related to the Board's oversight, coordination and decision making roles. It also draws the Board's attention to inherent challenges of the Global Fund's stakeholder model with a view to charting a way forward that minimizes their impact on the functionality of the Board.

A summary of recurrent governance issues identified in several reviews since 2002 is attached in the Annex.

# Assessment of Organizational Performance

## KPI framework in place, however, too early to evaluate its effectiveness to monitor organizational performance

The Board approved the 2017 - 2022 Strategic Key Performance Indicator Framework in June 2016 with related targets approved in March 2017. This reflects a significant improvement from the KPI framework that was approved two years into the last strategy cycle. The review of the organization's performance against the set KPIs and targets is now a standing agenda item for the Board and its Committees. While what will be assessed has been agreed, certain aspects of how this will happen are under development.

Responsibility for performance oversight: The responsibility for overseeing performance against set key performance indicators falls under the mandate of committees. Some key performance indicators can be easily aligned to the mandates of specific committees e.g. resource mobilization falls under the mandate of Audit and Finance Committee while human rights falls under the Strategy Committee mandate. However, if the current challenges of managing cross cutting issues at the Board is anything to go by, the practicality of how the three committees will oversee performance of key performance indicators that are cross cutting by nature may also be a challenge. For example, KPI 3 related to alignment of investment and need and KPI 6 a) and b), related to procurement and supply chain management, will require input from both the Strategy and Audit and Finance Committees. It is not clear how the two committees will interact in overseeing performance in these areas.

Defined processes: One area flagged by the OIG in 2014 was the Board's inability to systematically evaluate performance against the strategy. This is driven by the maturity of processes in place to assess performance, e.g. processes for assessing financial performance are well established while processes for newer key performance indicators e.g. human rights may have to be developed.

Data availability and reliability: An ongoing concern is the lack of reliable data to support the monitoring of strategy implementation. The need for reliable data was reiterated at the 36th Board meeting where the Board called on technical partners to work closely with countries, and with the support of communities, to strengthen the monitoring and availability of in-country data. The strategy covers new areas where data definitions and systems in country do not yet exist which will need to be built as progress is tracked against strategy implementation.

# Risk management

## Mechanisms for Board oversight of risk management still need significant improvements

Risk management has received increased visibility at the Board level since 2012 when the risk management department was established, and particularly since the 2014 OIG review. The Board approved a risk management policy that articulates the Board's responsibilities for risk oversight, as well as a risk differentiation framework. The Board directed the Secretariat to operationalize the risk differentiation framework, conduct annual reviews of its effectiveness and report to the Board on the outcome of such reviews. Risk management is now a standing item on both the Board and Committee agendas. Despite these improvements, a recently concluded OIG audit of risk management processes at the Global Fund (GF-OIG-17-XXX) identified limitations to the effectiveness of risk oversight. The Board survey respondents also identified risk management as an area that had seen some improvement in the recent past. But in successive Board and Committee performance assessments (2015 and 2016), they continued to flag risk management as a main area of concern for the Board.


Inadequate mechanisms to oversee risk matters: Specific roles and responsibilities on decision making, oversight and advisory functions for risk management are divided amongst the Board and its sub-Committees, with coordination support provided by the Coordinating Group to ensure that nothing 'falls through the cracks'. In order to improve accountability for risk management, the Audit and Finance Committee has been assigned as the lead committee. However, challenges remain in finding an effective mechanism for overseeing risk management. One format followed was holding joint sessions on risk management but this did not translate into meaningful deliberations of risk management mainly due to time constraints. The OIG's review of the Board agenda for the last two years also showed that much of the Board's attention on risk management focuses on fiduciary risk, specifically recoveries, with limited attention to wider mission areas where key risks often materialize. In the 2016 Board survey, respondents remained unclear on how the oversight of risk is being optimized and the manner in which risks were considered by the respective committees.

Risk appetite not defined: The Board has not defined the organization's risk appetite and tolerance. While recognizing the challenge of defining risk tolerances, especially in a non-regulated environment such as the one Global Fund operates in, it is imperative that the Board provides clearly articulated risk guidance to the Secretariat. In the absence of this, it is difficult for the Secretariat to take considered risks in pursuing the Global Fund's mandate and develop appropriate mitigation strategies. There is also a divergent understanding of acceptable risks between the Board, sub-Committees, senior management and Secretariat staff which means that the Board is unable to hold senior management accountable for the effective management of risk. The Secretariat has recently engaged the Audit and Finance Committee on a preliminary approach for risk appetite; however, this effort still remains at a very nascent stage.

# Risk management

## Mechanisms for Board oversight of risk management still need significant improvements

Risk issues not followed through: the OIG audit report on risk management (GF-OIG-17-XXX) notes that processes for monitoring and following up requests remain inadequate and issues, at times, get lost between Board and Committee interactions. While follow-up processes have registered improvements lately, and action trackers were developed in late 2016, not all risk-related issues are currently tracked as noted in the risk management audit. For example, there is no follow-up on the requested mapping of implementation risks for the new 2017-22 Global Fund Strategy. The 2016 Board self-assessment reflected a similar sentiment, with 33% of respondents mentioning that the Secretariat could more appropriately consider the opinions and perspectives of the Board members.

Limited risk management skills at Board level: The Board survey highlighted risk management as an area where Board and Committee members could benefit from some training in order for them to effectively undertake its oversight role.

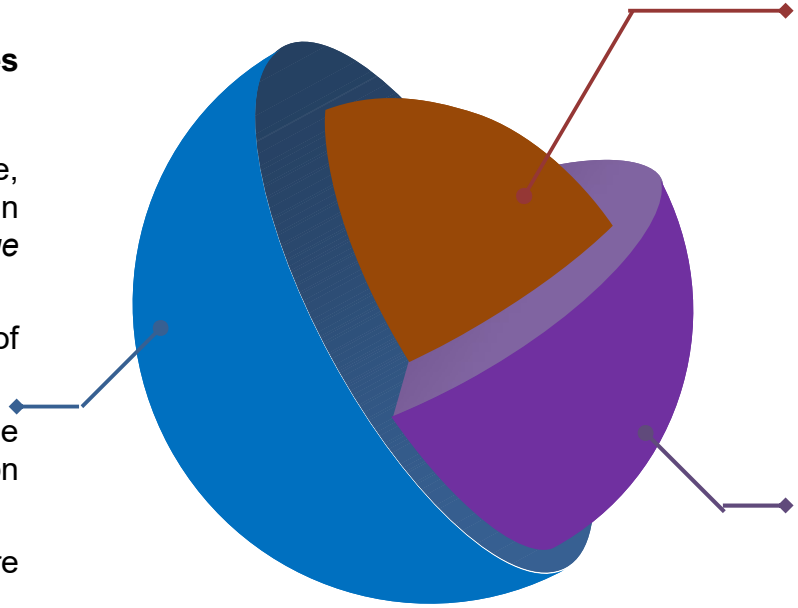
# Governance oversight

## Significant improvements, but challenges remain in relation to Board structures, competencies and behaviors

Significant improvements have been made in Global Fund governance since 2014 including an enhanced governance structure with reformulated committees and updated governance processes. For the first time, a standing committee is dedicated to governance matters, however, some challenges remain that affect the Board's ability to provide effective oversight. Specific issues with regard to structures, competencies and behaviors continue to impact the Board's effectiveness and efficiency with regard to its oversight.

**Structures (Board, Committees and processes)**

- Suitability of the Board size, structure and composition in a changing landscape – *Page 21*
- Management of conflicts of interest – *Page 23*
- Appropriateness of available information for decision making – *Page 24*
- Balanced focus on core mandate – *Page 25*
- Management of cross cutting activities – *Page 26*



**Behaviors (Culture and values)**

- Enabling Culture and Values – *Page 36*

**Capabilities (Skills and Knowledge)**

- Leveraging the work of Committees and Office of Board Affairs – *Page 29*
- Appropriate skills set to effectively execute its mandate – *Page 31*
- Impact of Board member turnover on institutional memory – *Page 32*
- Board member onboarding and development – *Page 33*

# Governance oversight – Board structures and processes (1/2)

## Effectiveness of the Board: Suitability of the Board size, structure and composition in a changing landscape

The challenges that the Board size and composition pose to its effectiveness go as far back as 2002. However, there has been limited progress in agreeing the optimal Board size, composition and structure particularly in the context of a rapidly changing economic and development landscape. While the Board agrees that a change is required (as noted by the Transitional Governance Committee), there is no consensus on the way forward. Some of the aspects under discussion include:

| | |
|---|---|
| The appropriateness of Board size in finding the right balance between inclusivity and effectiveness | By design, the Global Fund operates in partnership with many other stakeholders to achieve its mission. The inclusive nature of the Global Fund is seen by many as an asset, e.g., for fundraising and lobbying on behalf of the organization, however, at the same time it has its challenges, e.g., inefficiencies in decision making due to the required level of consultation and the inherent difficulties in separating constituency interests from overall Global Fund interests. |
| The continued relevance of having the separate donor and implementer groups | While this structure has its merits, especially in ensuring that the perspectives of each side are accommodated, it also reinforces the sense of having 'two Boards in one' (implementer vs donor). The Transitional Governance Committee report noted that this has an impact on the Board having a clear shared vision on the future direction of the Global Fund beyond the current strategy. |
| Voting structure that requires a two thirds majority from each group for decision approval | Viewed as an effective check and balance to ensure all perspectives are given due consideration; however, the threat of minority block could be used to ensure decisions are steered towards narrow constituency interests or agenda rather than the overall interests of the organization as reported in the 2014 OIG review. |

# Governance oversight – Board structures and processes (2/2)

## Effectiveness of the Board: Suitability of the Board size, structure and composition in a changing landscape

**The challenges of attracting new donors without necessarily changing the structure of the Board**

The current funding structure that is heavily reliant on Group of 7 (G7) donors (78% of pledges) as well as a few other members of the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) providing 14% of the Global Fund pledges presents a strategic risk to the Global Fund. Only 1% of GF funds raised from non-DAC economies.

Volatile international environment and potential decrease in aid budgets represent significant risk events to which the Global Fund must be prepared to respond. There has significant growth in non-DAC economies since 2002 and this growth is expected to increase at a rate faster than DAC members. The combined output of these countries was US$7 trillion in 2002 vs US$27 trillion DAC members. This is forecasted to reach US$ 35 trillion in 2019 vs US$ 47 trillion in DAC members.

The challenge of attracting new donors without necessarily changing the structure of the Board was also subject of a recent OIG fundraising advisory (GF-OIG-17-005). As global resources dwindle, future Global Fund resource mobilization efforts will face growing pressure to capture the untapped potential presented by non-DAC members and this may call for a change in the Board composition. There is therefore a continuous need to evaluate extent to which Board structure and composition allow GF to meet this growing pressure.

The Transitional Governance Committee recommended that the Board discuss the current constituency group structures, including voting practices during the mid-point discussions about the implementation of the current strategy (estimated 2019-2020). This implies that any negative consequences of the current Board composition will continue to affect its effectiveness in the short to medium term.

# Governance oversight - Board structures and processes

## Effectiveness of the Board: Management of conflicts of interest (Duty of care to the organization vs constituency)

### Compliance with the Global Fund's Ethics and Conflict of Interest Policy

**100%**
of Board or Committee members have an obligation to file a declaration of interest.

**76%**
of Board members filed a declaration of interest in 2014

**50%**
of Committee Members filed a declaration of interest in 2014

**84%**
of Board members filed a declaration of interest in 2016

**79%**
of Committee members filed a declaration of interest in 2016

**Source:** Integrity Due Diligence report (GF-OIG-17-003)

Officials in the Global Fund governance structure operate in a "conflict rich environment": i.e. there are many inherent conflicts of interest which are by design due to the inclusive partnership model. The OIG advisory report on integrity due diligence (GF-OIG-17-003) noted that there has been a marked improvement with regard to the identification, analysis and management of conflicts of interest related to board members and governance officials. Since 2014, the submission rate of conflict of interest declarations by board members and governance officials has improved, with a push to get this to 100%. At Committee level, for instance, members are asked to declare any conflicts of interest based on the meeting agenda.

However,

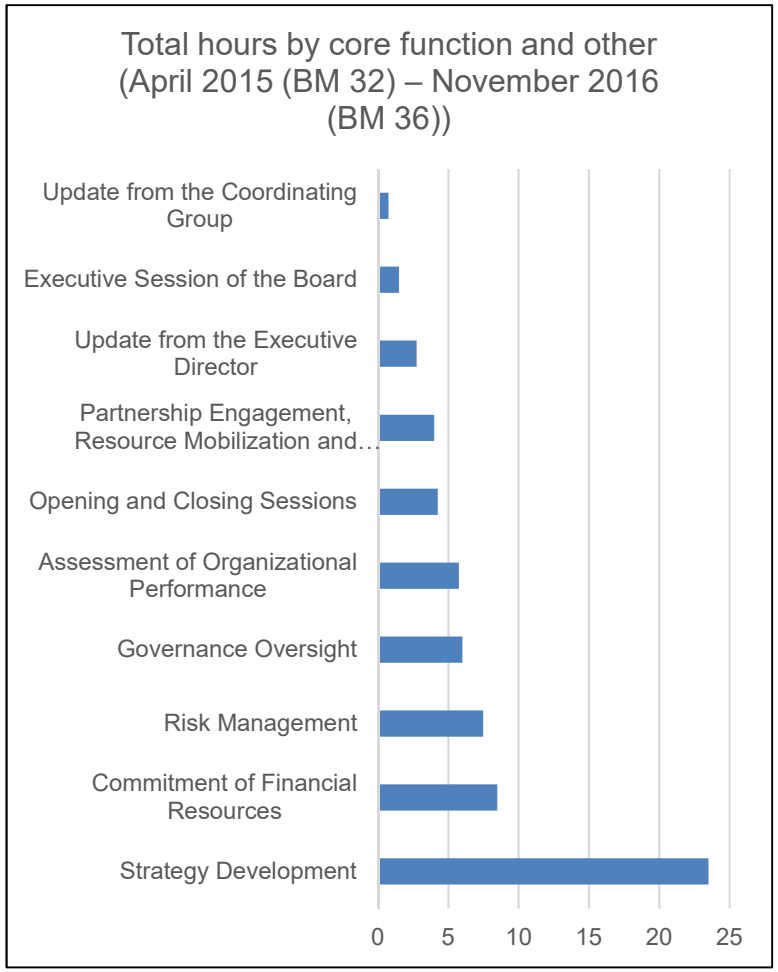
- The definition of conflict of interest is narrow as it is limited to only professional or personal financial interest; and
- Mechanisms to assess and monitor the completeness and accuracy of declared conflicts of interest are not in place, e.g., the integrity due diligence report noted instances where the General Counsel had identified inaccurate/ incomplete declarations of conflicts of interest by governance officials.
- Failure to follow up and/or take action in response to identified risks.

The implications of the inability to identify and, where identified, to manage conflicts of interest manifest in Board members being often perceived to put the interests of their constituencies over the interests of the Global Fund. Fifty four per cent (54%) of the survey respondents expressed doubts that there is a right balance between constituency interests and the best interests of the Global Fund. This was echoed in the 2015 assessment which described it as the feeling of "my constituency first".

# Governance oversight – Board structures and processes

## Effectiveness of Board meetings: Balanced focus on core mandates

The Board has increased the proportion of time it spends on strategic issues, especially in the past two years, with a focus on the development of the new strategy as reflected in the figure below. However, the Board has an uneven focus on other core mandate areas as shown in the graph below:



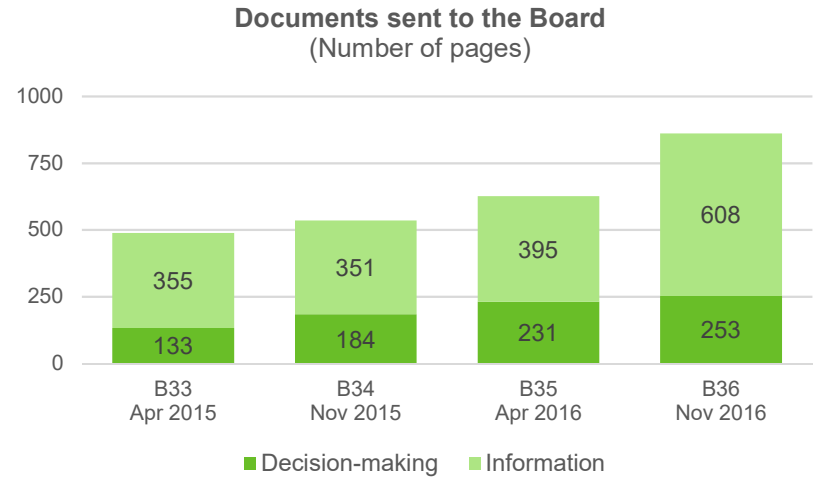

- Much of the Board's attention on risk management (57%) focuses on recoveries with limited attention to wider mission areas where key risks manifest.
- Partnership engagement which, although identified as core to the continued success by the Global Fund (in areas such as program quality, supply chain etc.), receives minimal attention with more time spent on opening and closing sessions.
- The heavy focus on strategy development in recent meetings was directly related to the finalization of the new strategy during that period. As the organization shifts from strategy development to implementation, it is expected that more time will be spent on assessment of organizational performance.

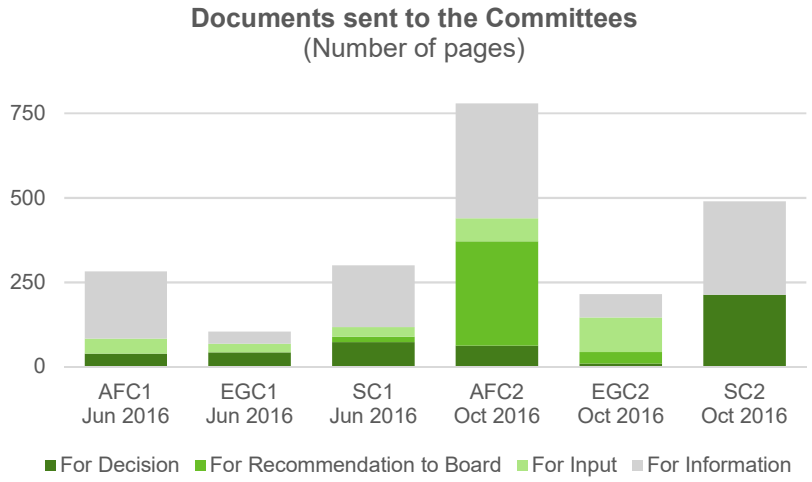
The Board's ability to focus on strategic matters is affected by the heavy meeting agendas which leave limited time for in depth discussion. For example, over the past two years, Board and Committee meetings have had nine (9) agenda items on average per day. In consequence, allocated time slots are short i.e. on average 52 minutes per session. Based on our review of transcripts for the last four Board meetings and interviews, inadequate time to discuss the material is an ongoing concern at all meetings. This issue was also raised in the 2015 Board assessment with a comment that "Board meetings do not provide adequate time for meaningful discussion and consensus building among constituencies, agenda items and votes seems like a check-the-box exercise".

# Governance oversight - Board structures and processes

## Efficiency of Board meetings: Appropriateness of available information for decision making

The Board and its Committees receive a large volume of documentation prior to meetings, with limited consideration given whether it is necessary for decision making. The graph below shows that documents provided are predominantly for information.




The volume of documentation is too large for effective analysis especially for a part-time, non-sitting board with limited time and bandwidth of governance officials. An analysis of information shared with the Board and its Committees over the past two years shows that:

- At the Board level, 63% to 73% of documentation sent to the Board for the past four Board meetings was for information purposes. 50% to 72% of allotted Board agenda time was spent on discussions related to information points.
- At the Committee level, 51% of all documentation submitted to the Committees for the two meetings in June and October 2016 was for information. The other 49% was split between documentation for input (12%), recommendation (17%) and for decision (20%).
- The volume of documentation to the three standing Board Committees is not only high but has doubled between the first and second meetings already held i.e. from 687 to 1,483 total pages (115% increase). These documents are shared within two weeks before the meetings.
- The large volume of papers Board papers are sometimes not focused on the critical information the Board requires for decision making or strategic input.

# Governance oversight – Board structures and processes

## Effectiveness of the Board: Management of cross-cutting issues

Significant effort as made, as part of the enhanced governance structure, to clarify the mandate and remit of the three new standing committees. Specific areas have been assigned to these committees and a Coordinating Group provides overall coordination. However, challenges remain in operationalizing an effective approach for handling cross cutting issues and in consequence concerns remain about their management and ownership.

**Three Standing Board Committees responsible for cross cutting issues**


**Processes established for management of cross-cutting issues**

i. Joint Committee meetings: Initially joint sessions for the three committees were held to discuss cross-cutting issues. However the time allocated to the joint sessions has been too brief to foster quality discussions and effective decision-making.

ii. Lead Committees: The Coordinating Group then appointed lead committees which are responsible for leading the deliberations on how specific cross-cutting issues can be addressed e.g. the audit and finance committee is responsible for risk management. However, questions remain about which committee is best placed to take the lead on certain matters and detailed processes have not been developed to guide how lead committees will collect and incorporate input from other. For example:

- Oversight of the Country Coordinating matters has traditionally been managed by the Strategy Committee since its focus is grant related. It has now been transferred to the Ethics and Governance Committee yet ethics and integrity aspects e.g., conflict of interest form only a small part of overall CCM matters.

- The responsibility of reviewing the Global Fund's business model was allocated to all three committees without providing guidance on how discussions will be tailored to suit each committee's mandate and the process of collating committee input, as required. At the March 2017 Committee meetings this was allocated specifically to the Strategy Committee with the Audit and Finance Committee only expected to provide input when there are financial implications.

# Governance oversight – Board structures and processes

## Effectiveness of the Board: clarification of coordination and oversight roles

- Part of the challenges in managing cross-cutting issues relates to sufficient clarity on the mandate and scope of authority of the Coordinating Group. The lines remain blurred between the "coordination", "oversight" and "decision-making" responsibilities of the CG. For example, in an effort to bring clarity and to improve the overall management of cross-cutting issues across the standing committees, the Coordinating Group assigned in 2016 specific responsibilities to each committee on such issues. Thus, Risk Management was assigned to AFC, Key Performance Indicators to the Strategy Committee, and Country Coordination Mechanisms to EGC. These assignments are a meaningful improvement in the clarification of committee roles and responsibilities, and also appear consistent with the role that would be expected from the Coordinating Group. However, whilst this decision has not been explicitly challenged, OIG has observed various forms of pushback on the part of both Secretariat management and some committee members challenging either the substance of the assignments or even whether the Coordinating Group had effective mandate to make such decisions. As a result, issues such as the appropriate body that should cover Country Coordination Mechanisms, or what inputs/decisions are expected from which committee, are still being debated as of the time of this report.

- In addition to potentially limiting the effectiveness of oversight, the lack of clearly defined roles and responsibilities may also adversely impact the quality of the dialogue between Management and Board Leadership. In many instances, OIG has identified a wide gap in expectations between the Global Fund's executive management and the Board Leadership on nature and scope of Board Leadership's oversight responsibilities. As a result, what is seen by Board Leadership as normal governance oversight, to hold management accountable, is often seen by Secretariat executive management as undue interference with day-to-day management responsibilities. Whilst the OIG does not have strong evidence to support one view over the other, the sheer existence of such wide gaps in expectations and perceived scope of mandate can result in a significant lack of alignment at the highest level, which is unhealthy for overall organizational governance. Thus, as the Global Fund is poised to select both a new Executive Director and new Board Leadership, it is crucial that adequate clarification be brought on the specific roles and responsibilities of the Board Chair, Vice-chair, Coordinating Group, the extent of the Board's delegation of certain oversight and decision-making mandates to those individuals and bodies. Similarly, the extent to which the CG can and should act, or not, in an Executive Committee capacity between Board meetings should be clarified. The level of accountability that is expected from the Secretariat to the Board Leadership, if any, would also need to be clarified.

# Recommendations

### Recommendation 1

The Board should evaluate the extent to which its structure and composition are aligned with the changing environment in which the Global Fund operates. This includes:

- The appropriateness of Board size in finding the right balance between inclusivity and effectiveness:
- The continued relevance of having the separate donor and implementer groups:
- Voting structure that requires a two thirds majority from each group for decision approval:
- How to accommodate new donors without necessarily changing the structure of the Board.

### Recommendation 2

The Secretariat should strengthen its framework for managing Board related conflicts of interest by extending the definition of conflict of interest beyond professional or personal financial interest and articulating how such conflicts when they manifest will be addressed.

### Recommendation 3

In order to improve the Board agenda, there should be a better link between the Board agenda and the strategic objectives and/or the core Board functions. There should also be clear criteria for what makes it onto the Board and committee agendas, such as :

- Need for specific Board input, decision or strategic direction to the Secretariat;
- High level of risk;
- Implications for the achievement of the strategic objectives.

Other mechanisms for dissemination of non-critical information points and routine updates should be devised e.g., through pre-meeting briefs, teleconferences, email, the Board portal as appropriate. Information points could be shared in advance to allow for submission of questions/ comments prior to the meeting. Reducing the number of agenda items would also reduce the volume of Board papers and facilitate more in-depth deliberations on strategic issues.

# Recommendations

### Recommendation 4

Board papers should be focused on the critical information the Board requires for decision making or strategic input. Board Leadership and the Coordinating Group, which includes the leadership of all three standing committees, should work with the Office of Board Affairs to develop specific guidelines for Committee and Board papers, including filtering criteria on what goes to the Board or Committees, expected purposes, structure, level of detail, etc.

Consideration could also be made for more dashboard style reporting where appropriate, e.g., for routine update items, KPI reporting, compliance reporting (by exception), project milestone reports etc.

### Recommendation 5

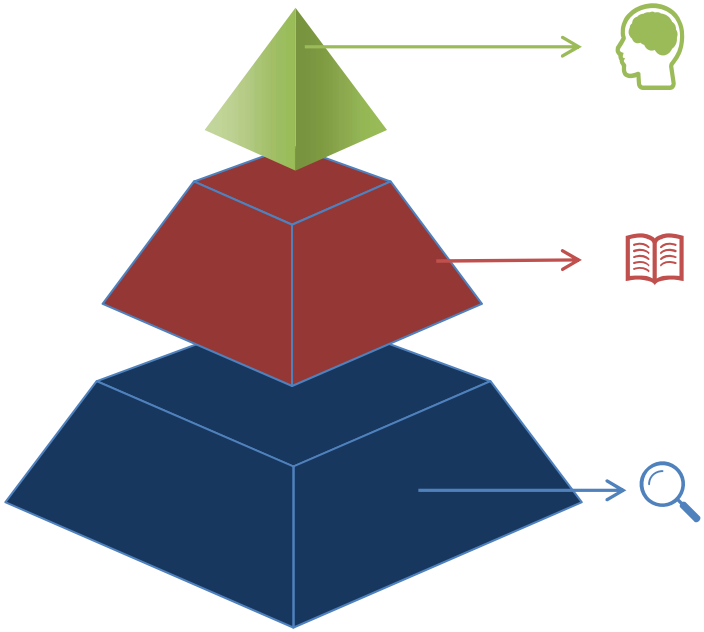
- The Board should revisit and clearly define the process and parameters for the Board, Its leadership, Coordinating Group and Committees role in managing cross cutting issues. This should go alongside improving forward planning and agenda setting to reduce the burden on all concerned.
- The scope of mandate and specific responsibilities of the Coordinating Group should be clearly articulated in a detailed Terms of Reference, including the executive mandate, if any, expected from this body.
- The scope of the oversight mandate –if any- of the Board Leadership vis-as-vis the Secretariat should be clarified in specific terms.

# Governance oversight - Board capabilities (1/2)

## Effectiveness of the Board: Leveraging the work of established structures to support the Board

One of the changes effected by the Board in April 2016 to improve its existing governance structures has included the establishment of a reconfigured committee structure with updated roles and responsibilities. The new structure has brought technical experts to the Board thereby strengthening the skills and experience of the Board's Committees. The 2016 Board and Committee performance assessment highlighted an appreciation of (i) the Board's Committee structures as well as the value of having some decisions taken at Committee level to allow them to focus on other priorities; and (ii) the technical expertise Committee members brought to the Board especially during technical discussions.

That said, concerns remain about whether the Board is effectively leveraging the support of the structures that have been set up to assist it in the execution of its mandate.



The Board has appointed three Committees that should review submissions from the Secretariat and provide it with synthesized information for decision making. However the Board often requests for incredible amount of operational detail which it should trust its Committees to know about, if indeed, it is relevant. It has also reopens and differs from recommendations taken in the Committee.

Committees should review available information and make recommendations to the Board for decision making. However as already mentioned, Committees' ability to effectively analyze available documentation for decision making is impacted by their inability to review the large volumes of documentation in a limited period of time. Board and Committee members expressed a desire to have documentation better analyzed to ease their reviews.

At the Secretariat, an Office of Board Affairs is in place to improve functionality of Board and Committees. The Office's ability to provide the required support in analyzing documentation is inhibited by the disproportionate amount of time it spends on delivering Board related activities e.g. meetings, retreats, induction programs, Partnership Forums, consultations etc. For example in 2016, the Office of Board Affairs organized over 65 inter-sessional events in addition to the bi-annual Board and Committee meetings.

# Governance oversight - Board capabilities (2/2)

## Effectiveness of the Board: Leveraging the work of established structures to support the Board

So while Committee mandates clearly articulate the tasks that have been delegated to them, the Board does not leverage on work done at committee level. This has been attributed to the lack of alignment between the Board, its Committees and the Secretariat:

- **Rationale for decision making at the Committees is not clearly communicated in the Board Papers:** To provide assurance to the Board that all issues have been appropriately considered, the Committee papers to the Board should clearly demonstrate the rationale for any recommendations including how the Committee has responded to constituency concerns, if any. The process for raising objections to Committee decisions should be systematic and preferably managed before the full Board meeting.
- **The lack of a formal mechanism to ensure constituency views are consistently taken into consideration:** Only 25% (10) of Committee members are also Board members and of this number, 70% are alternate Board members. As few Committee members are also Board members, communication between the Committees, Board members and wider constituencies is key in ensuring that specific constituency concerns are appropriately considered by the Committees. The "lack of incorporation of the views of constituencies not represented on the Committees in Committee deliberations as well as the lack of a formal mechanism for ensuring these are considered" was identified as a major issue in the 2015 Board and Committee performance assessment.
- **Failure to rationalize appropriate volume of information required for decision making**: When it comes to the Secretariat, the concern is that the Board will not have the required visibility to provide proper oversight and so the tendency has been to request for more and more detail which in turn, has resulted in overwhelming information for the committees and Board to deal with. This makes it difficult to have any meaningful delegation of authority resulting in ever broadening committee mandates and longer Board agendas.

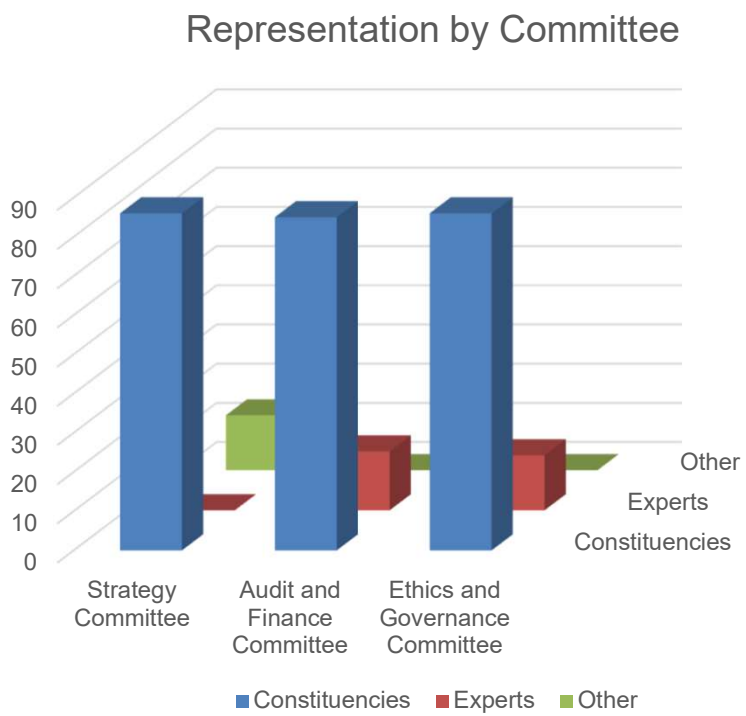
This is due to an underlying lack of trust between the different levels of governance and oversight (Board vs Committees vs Secretariat). The Board's 2015 assessment carried out by the Transitional Governance Committee states that there is "a perceived lack of trust between the Board and its Committees"; and by extension to the Secretariat. The consequence of this is the Board reopening discussions related to decisions already undertaken at the Committee level. The most recent examples of this were at the November 2016 Board meeting where decisions relating to key performance indicator targets and the e-Marketplace (wambo.org) were overturned at the Board after initial unanimous support at the Committees.

# Governance oversight - Board capabilities

## Effectiveness of the Board: Appropriate skills set to effectively execute its mandate

The enhanced governance structure has defined the required skills set for Board and Committee members. However, an inherent tension remains between the need to balance constituency representation and having the appropriate skills and experience at the Board and committee level.

Nomination and selection of Board and Committee members: Since the 2014 OIG review, the oversight of selection processes for committee members was assigned to the Ethics and Governance Committee. However, the role of the Ethics and Governance Committee's oversight is over the broader delegate nomination and selection process and not on each nomination and appointment of committee members. In consequence because the nomination and selection processes are carried out by individual constituencies and the Board has no control over these processes, the Enhanced Governance Structure is unable to assure that the skills set of people nominated by constituencies to serve on Board and its Committees. This is with the exception of the three independents that serve on the three Board committees who are appointed to bring specific skills to the Board.




In consequence, at the Board level, nomination of Board members is exclusively by constituencies which according to the 2011 High-Level Panel review report results in donor constituencies tend to send mid-level officials from Development or Foreign Ministries, who usually have international HIV/AIDS as their primary portfolio and can devote significant amounts of time to multilateral governance and policy activities and the implementing bloc typically chooses Ministers of Health as their representatives. One of the survey conclusions was that "Perspectives of technical partners generally are not considered in decision-making".

At Committee level, efforts have been made to align committee skillsets with applicable roles and committee mandates. However, as shown in the graph, the majority of representatives are nominated by the constituencies and so may not necessarily be aligned to the needs of the Board. Technical skills of the Board committees have been strengthened through the inclusion of technical experts. However there are only three experts sitting on two committees and they are non-voting members. Forty seven per cent (47%) of respondents felt that external, independent expertise could be leveraged further to bridge existing skill gaps.

# Governance oversight - Board capabilities

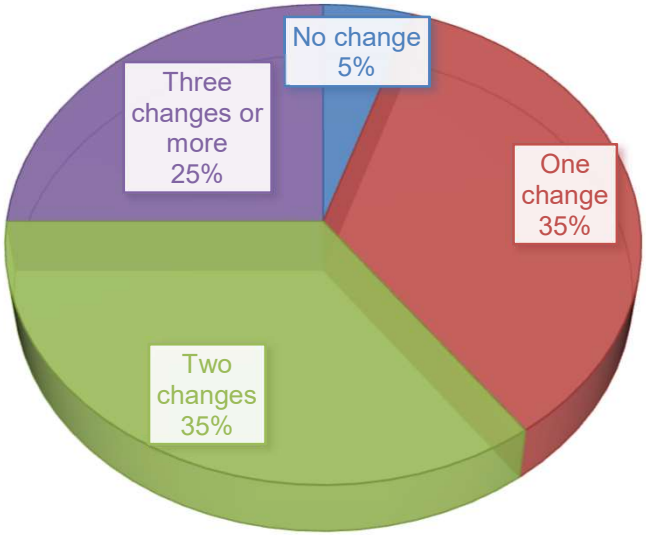
## Effectiveness of the Board: Impact of Board member turnover on institutional memory

The Board's overall effectiveness is impacted by the lack of mechanisms to manage loss of institutional memory due to high Board membership turnover.

### Frequent change to Board and Committee membership

There is a high turnover of both Board members and their alternates. The lack of staggered rotations, combined with short tenure of Board/Committee leadership and membership, significantly affects ability to preserve good institutional memory. For example:

**Changes in Board and alternate member participation at Board meetings**




- Two thirds of designated Board members and alternates who attended the 33rd Board meeting (April 2015) had been replaced by the 36th meeting (November 2016);
- Similar trends were noted at the Committee level with a turnover of 75% with 27 out of 36 old Committee members changing in 2016 and only 9 still serving on the newly established Committees;
- Even in cases where there are no changes in the designated Board members, there are frequent changes in the representatives that participate at Board meetings. As indicated in the graph, 60% of constituencies changed representatives more than once in the last two years. The Board has no control over the changes in its membership since the selection and rotation of constituency representatives is driven by the constituencies.

While the documentation of Board decisions and tracking of actions has now been systemized, the Board has however not established a process to ensure a balance between continuity and the need to rotate Board and Committee members. The constituency management guidelines under revision provide an opportunity to build in an explicit strategy for building and maintaining institutional memory.

# Governance oversight - Board capabilities

## Effectiveness of the Board: Board Member Onboarding and Development

### Onboarding

The many changes to Board membership call for strong onboarding and offboarding processes so that institutional memory is not lost. In response, the Office of Board Affairs has standardized the process for on boarding of new Board Members/ Alternates. However, the onboarding process does not:

- Articulate the Board's expectations of its members, beyond the code of conduct, nor does it provide guidance on what members' responsibilities are both individually and collectively.
- Provide guidance on Board procedural matters, such as identification and management of conflicts of interest, agenda setting and constituency input, introduction of new items for discussion, procedures around decision making including amending/ introducing new decision points etc.

### Continuous development

The level of Board member knowledge of Board procedures (e.g., how to introduce or amend decision points, voting procedures) also affects the effectiveness of Board. This is especially important in the Global Fund context where high member turnover remains a challenge. The Office of Board Affairs has a critical role to play in sharing and reinforcing knowledge on governance rules/protocols and related procedures as part of the Board on-boarding and on a continuous basis (e.g., before and during every Board meeting).

The Board does not have a continuous development program for the Board and its Committees to identify and address skills and/or knowledge gaps on an ongoing basis. For example, while 54% of the 2016 assessment respondents felt "there are some additional skills and experiences currently missing that would help the Board to address all the issues faced" there is no mechanism to identify specific development areas for Board members.

# Recommendations

**Recommendation 6**: The Board should be able to leverage work done at committee level rather than reopening discussions at the Board. For this to work effectively, the following considerations need to be made:

***Identify areas for full delegation of authority:*** The Board should consider reviewing the mandates to identify aspects that could be removed or delegated to the Committees and/ or Secretariat, as appropriate.

01

***Rationale for decision making should be clearly communicated:*** To provide assurance to the Board that all issues have been appropriately considered, the committee papers to the Board should clearly demonstrate the rationale for any recommendations including how the committee has responded to constituency concerns, if any. The process for raising objections to committee decisions should be systematic and preferably managed before the full Board meeting.

02

***Formalize the constituency consultation process:*** As few committee members are also Board members, communication between the committee members, the relevant Board members and wider constituencies will be key in ensuring that specific constituency concerns are appropriately considered by the committees. The committee leadership should ensure a systematic approach for consultation with constituencies not represented on the committees.

03

***Allow enough time for consultation:*** The timing of Board and committee meetings should allow enough lead time to carry out consultation within constituencies. The consultation process needs to be well managed to ensure that committee work is not delayed, for instance, targeted support should be provided to Board/ committee members and constituencies to ensure they are able to analyze all the documents and submit comments on time.

04

# Recommendations

**Recommendation 7:** The Secretariat should strengthen its structures and processes that underpin the efficiency and effectiveness of the Board's operations:

**Onboarding and continuous development**

While steps have been taken to standardise the onboarding process, it could be further improved by:

- Focusing on the members' governance responsibilities (individually and collectively). The Board's expectations of its members should also be clearly articulated, e.g., definition of good governance, performance measures;
- Including guidance on Board procedural matters, e.g.,
  - Process for agenda setting and member/constituency input;
  - Introduction of new items for discussion;
  - Procedures around decision making including amending/ introducing new decision points;
  - How to manage interactions (including information requests) with the Secretariat, Board Committees and other constituencies between Board meetings;
- Ongoing technical briefings (in person or virtually) on key strategic, operational or financial matters to provide Board members with sufficient knowledge and information on key topics requiring their guidance, decision or ongoing oversight
- Training/ awareness building around identification and management of conflict of interest in a stakeholder model; and
- Establishing a continuous self-development program for the Board and its committees to address any identified knowledge and skill gaps, e.g., risk management.

01

**Nomination processes and institutional memory**

The Board should articulate its performance expectations for constituencies and their representatives in the Constituency management guidelines, in order to ensure that constituencies can be held accountable to meeting minimum skills and experience requirements.

The constituency management guidelines that are currently under revision need to build in an explicit strategy for building and maintaining institutional memory.

02

**Office of Board Affairs**

Streamlining the Board and committee workload will, allow the Office of Board Affairs to better provide support on the more strategic aspects of its mandate such as advisory on governance best practice, strategic forward planning and contribution to policy development, including providing more targeted support to the various constituencies, where required.

03

# Governance oversight - Board behaviors

## Effectiveness of the Board: Enabling culture and values

The Board has made significant progress in fixing most of the obvious gaps related to structure, processes and competencies. While these aspects are important, on their own they are insufficient to ensure Board effectiveness. Some of remaining gaps relate to Board behaviors as embodied its culture and values i.e. how Board members act, work together, prioritize and reach consensus consistently. These aspects are much harder to address because they are intangible and therefore harder to expose and act upon. The audit has drawn on interviews and survey responses to highlight aspects that reflect the culture.

The Code of Ethical Conduct for Governance Officials states that "All Governance Officials are accountable to the Global Fund (…) Governance Officials are expected to demonstrate accountability. This requires Governance Officials to (…) practice and promote full compliance with restrictions around confidential or sensitive documents or deliberations, as established by Board or Committee Leadership". However, in the two cases below behavioral aspects are non-conducive for good governance:

- Overly inclusive processes resulting in the Board not making decisions (death by discussion): Decisions are delayed in order for members to consult their constituencies. Board discussions are influenced by ideological or political views that distract from the issues at hand. Examples given were the Board's discussion of key performance indicators at the 36th Board meeting. One of the comments from the survey was "Board meetings do not provide adequate time for meaningful discussion and consensus building among constituencies, agenda items and votes seems like a check-the-box exercise". Other comments included "Requirement of consensus for decisions can lead to compromises which make the decisions difficult to implement or to the creation of complex procedures. Decisions tend to be cautious not bold.
- Sharing of confidential information: There are emerging concerns over the sharing of confidential information as was noted in the recent Executive Director selection process where confidential information was leaked to the press. In another instance, a constituency that has posted confidential material on its website.

These behaviors are underpinned by values such as respect, trust, candor and accountability. Most of them also originate from the Board composition. The profiling of the Board's culture would help it identify and align board dynamics to the work it needs to accomplish and the organizational context.

# Recommendations

**Recommendation 8**

The Board should consider undertaking a detailed assessment of Board culture in order to identify and align the board dynamics to the work it needs to accomplish and the organizational context.

# PART FIVE
# Annex

# Annex: Summary of recurrent governance issues identified in several reviews since 2002 (1/2)

| | Report of the Governance Working Group (2002) | The Five year evaluation of the Global Fund (2009) | High Level Review Panel report (2011) | OIG governance review (2014) | Board Performance Assessment (2016) |
|---|---|---|---|---|---|
| Board structure and composition | Board size/structure including voting mechanism and possibilities for new donor representation were reviewed. No recommendations made "in light of delicate compromise required to reach current status". | Recommendations focused on making existing structures more effective, specifically, supporting constituencies to improve engagement and empowering committees. | Concluded that the current Board is not structured to provide efficient, timely governance to the organization . | Identified the threat of blocking a vote from a minority of Board members | There are queries over the size of board, with only 48% agreeing it is the right size |
| Failure to prioritize and focus on strategic matters resulting in excessive Board workload | Noted that the Board should have the appropriate level of oversight while reducing its involvement in day-to-day operational issues.<br><br>Noted the need to reduce email communications to a manageable number. Need to improve efficiency or effectiveness of Board meetings and improve the clarity of decision-making. | Noted a heavy focus on operational issues and policies, at the expense of longer-term strategic discussions. Reported that information processing capacity of Board members had reached saturation, calling into question the distribution of roles and responsibilities between the Board, its Committees, and the Secretariat. | Noted that the Board spent time on selective micro-managing and agenda-driven matters. | Analysis of Board discussions reinforced by interviews with Board members, suggested a need to raise conversations at the Board to a more strategic level. | 35% feel the flow of information from the Committees to the Board could be improved. 41% do not fully agree that the secretariat provides the right amount of information/ level of detail). |
| Nomination and Selection of members (overall balance of skills and experience, transparency) | | | Members appointed on the basis of the constituency they represent, rather than their technical or professional knowledge or experience. | Committee members not appointed through a formal process to ensure the appropriate mix of skills, experience and knowledge | 54% feel there are some additional skills and experiences currently missing that would help the Board to address all the issues faced. |

# Annex: Summary of recurrent governance issues identified in several reviews since 2002 (2/2)

| Review Issue | Report of the Governance Working Group (2002) | The Five year evaluation of the Global Fund (2009) | High Level Review Panel report (2011) | OIG governance review (2014) | Board and Board Leadership Performance Assessment (2016) |
|---|---|---|---|---|---|
| Strengthening constituency engagement | | The full voice and participation of some constituencies not achieved due to varied rates of attendance at Board and committee meetings and ineffective communication within the delegation—and between the delegation and its constituents. | The Government-based implementing constituencies have little institutional memory and a muted presence on the Global Fund's Board.<br><br>Need for proactive support to enhance effective participation and representation. | The voices of implementer country delegations need strengthening (this perception was consistent with the OIG's analysis of Board meeting transcripts). | 34% feel that the opinions and perspectives of all Board constituencies are not appropriately considered in the decision-making process. 52% feel that Board members are not adequately prepared for meeting. |
| Assessment of organizational performance | | | The Board's time spent on strategy is limited, which affects its ability to play a leadership role e.g. the review the Global Fund's entire portfolio of grants from a strategic perspective. | The Board should invest time evaluating performance against the strategy and monitor the effectiveness of its committees. | The main areas of concern raised related to 'Risk management' (61%) and 'Assessment of organizational performance' (43%). |
| Conflict of Interest | Clearly manage real and perceived conflicts of interest while acknowledging that most Board members are inherently conflicted due to the representative nature of the Board | | | The Global Fund has many inherent conflicts of interest due to its inclusive partnership model but limited guidance on how to manage these conflicts. | Respondents don't believe that there is the a right balance between constituency interests and the best interests of the Global Fund with 54% disagreeing. |