

Electronic Report to the Board

2019 Target for Key Performance Indicator 12b – Affordable health technologies

GF/B39/ER14A

Board Decision

Purpose of the paper: Approval of the 2019 performance target for Key Performance Indicator 12b – Affordable health technologies.

Decision

Based on the rationale described below and in the accompanying PowerPoint presentation (GF/B39/ER14B), the Audit and Finance Committee recommends the following decision point to the Board.

Decision Point: GF/B39/EDP17: Key Performance Indicator 12b: Availability of affordable health technologies: Affordability

- 1. Based on the recommendation of the Audit and Finance Committee, the Board approves the 2019 performance target of USD 115 million for Key Performance Indicator 12b as presented in GF/B39/ER14A.***

This decision has no budgetary implications.

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 1.

Executive Summary

Context

1. The Global Fund's 2017-2022 Strategic Key Performance Indicator Framework (the "Framework") is consistent with the Global Fund's 2017-2022 Strategy, *Investing to End Epidemics*, incorporating significant inputs from Board constituencies and technical partners. The Framework was approved by the Board via electronic decision point following the 35th Board Meeting (GF/B35/EDP05)¹.
2. The 2017-2022 Strategic Key Performance Indicator Targets (the "Targets") were approved by the Board through electronic decision point following the 36th Board Meeting (GF/B36/EDP09)². This followed a four month consultation process with Board-nominated technical experts to review the appropriateness and ambition of each KPI Target. A KPI 12b Target for 2017 was set on the basis that it would be established annually based on best available demand and price projections through an AFC recommendation to the Board
3. The Audit and Finance Committee (the "AFC") and the Strategy Committee (the "SC") have each been allocated responsibility for recommending different Targets, according to their respective committee mandates, as follows:
 - a. The AFC is responsible for overseeing and recommending Targets for KPIs 7, 10 and 12; and
 - b. The SC is responsible for overseeing and recommending Targets for KPIs 1, 2, 3, 4, 5, 6, 8, 9, and 11.

Questions this paper addresses

4. This paper proposes the target for 2019 for KPI 12b. The KPI 12b target will continue to be set annually based on best available demand and price projections. This target is based on two elements: the projected volume for each of the Pooled Procurement Mechanism (the "PPM") products in 2019, and for each of these products, the difference between the expected price in 2019 and the baseline price (either 2018 price or previous tender price, depending on the product). The paper presents the aggregated recommended target based on this methodology.

Conclusions

5. A KPI 12b target of USD 115 million is recommended for 2019 by the AFC for Board approval. The KPI 12b Target will continue to be set annually based on best available demand and price projections.

¹ <https://www.theglobalfund.org/Board-decisions/B35-EDP05/>

² <https://www.theglobalfund.org/Board-decisions/B36-EDP09/>

Input Sought

6. The Board is requested to approve of the Decision Point: GF/B39/EDP17: Performance Target for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability.

Input Received

7. The recommended 2019 KPI 12b Target is the product of rigorous AFC discussion, deliberating on methodology, assumptions, and level of ambition. Previous Board input has been incorporated into the accompanying PowerPoint presentation (GF/B39/ER14B) to address requests for increased information and clarity.

8. In its October 2018 8th Meeting, the AFC sought to further understand the differences between the 2018 and 2019 targets for KPI 12b on “availability of affordable health technologies: affordability”. The Secretariat explained that the target for this KPI reflects annual savings each year, and the target proposed for 2018 was based on the lower bound of the estimation range linked to the uncertainty of demand at that time. However, the proposed 2019 target is at the higher bound of the estimation range for the current year, driven by increased visibility of demand compared to prior years and newly-agreed ARV and anti-malaria medicines tender outcome.

9. The AFC also inquired as the relationship between KPI 12a (“availability of affordable health technologies: availability”) and KPI 12b, and how this KPI aligns with the Global Fund’s market shaping strategy. The Secretariat confirmed that on the alignment with the Global Fund strategy, the target for 12 a & b reflects the availability and affordability of health products, reflects country demand and therefore estimated uptake of innovative new products; further, if a new, more effective but more expensive product becomes available, KPI 12b will not limit the aggressive adoption of such a product. Finally, KPIs 12a and 12b provide a useful tension, ensuring that reduced prices for health products are not generated at the expense of an unsustainable supply.

What do we propose to do and why?

10. The proposed KPI 12b Target for 2019 is outlined below for Board Approval. Further detail regarding methodology and assumptions is included in the accompanying PowerPoint presentation (GF/B39/ER14B).

Key Performance Indicator	Measure	Target
Strategic Objective 4: Mobilize increased resources		
12	Availability of affordable health technologies	
	b) Affordability	Annual savings achieved through the Pooled Procurement Mechanism on a defined set of key products (mature and new)
		USD 115 million in 2019 ³

³ Target set annually based on demand and price projections.

What do we need to do next to progress?

11. Board approval of the 2019 KPI 12b Target will allow the Secretariat to continue to provide annual reporting on the indicator and will inform strategic decisions on the PPM and market shaping more generally.

Recommendation

12. The Board is requested to approve the Decision Point presented on page 2.

Document Classification: Internal.

Document Circulation: Board Members, Alternate Board Members, Board Focal Points and Committee Members. This document may be shared by the Focal Points within their respective Board constituency. This document must not however be subject to any further circulation or otherwise be made public.

Annex

The following item can be found in Annex:

- Annex 1: Relevant Past Board and Committee Decisions

Annex 1 – Relevant Past Board Decisions

Relevant past Decision Point	Summary and Impact
GF/AFC08/DP02: Performance Target for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability (October 2019)	The AFC agreed to recommend the 2019 performance target for KPI 12b to the Board for approval.
GF/B38/EDP18: Key Performance Indicator 12b: Availability of affordable health technologies: Affordability (April 2018)	The Board approved the final 2018 performance target for Key Performance Indicator 12b as presented.
GF/AFC06/DP01: Performance Target for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability (March 2018)	The AFC agreed to recommend the 2018 performance target for KPI 12b to the Board for approval.
GF/B38/DP08: Targets for Key Performance Indicators 3, 6a, 6b, 6e and 12b⁴ (November 2017)	The Board approved the 2018 performance target for Key Performance Indicator 12b as presented and noted the review of the 2018 target planned for Q1 2018.
GF/AFC05/DP01: Performance Targets for Key Performance Indicator 12b: Availability of affordable health technologies: Affordability (October 2017)	The AFC agreed to recommend the 2018 performance target for KPI 12b to the Board for approval. The AFC noted that the target will be reviewed in Q1 2018.
GF/B36/EDP09: Performance Targets for the 2017 – 2022 Strategic Key Performance Indicator Framework⁵ (March 2017)	The Board: (i) Approved the performance targets where proposals were complete; (ii) Approved the proposed interim indicator proposals for KPIs 5 and 9c; and (ii) Agreed to postpone its review and approval of performance targets for KPIs 6a, 6b and 6e until the final Board meeting of 2017
GF/SC02/EDP06: Recommendation on Performance Targets for the 2017-2022 Strategic Key Performance Indicator Framework (March 2017)	The Strategy Committee (SC) agreed to recommend the following to the Board for approval: (i) performance targets for KPIs 1, 2, 3, 4, 6c, 6d, 6f, 8, 9a, 9b and 11; (ii) interim indicator proposals (i.e., definitions and performance targets) for KPIs 5 and 9c; and (iii) postponement of the review of performance targets for KPIs 6a, 6b and 6e.

⁴ <http://www.theglobalfund.org/Board-Decisions/B38-DP08/>

⁵ <http://www.theglobalfund.org/Board-Decisions/B36-EDP09/>

Relevant past Decision Point	Summary and Impact
GF/AFC02/EDP04: Recommendation on Performance Targets for the 2017-2022 Strategic Key Performance Indicator Framework (March 2017)	The Audit and Finance Committee (AFC) agreed to recommend performance targets for KPIs 7, 10 and 12 to the Board for approval.
GF/B36/DP09: Performance Targets for the 2017 – 2022 Strategic Key Performance Indicator Framework (November 2016) ⁶	The Board requested a further opportunity to review the proposed performance targets. Board constituencies were requested to submit a final round of feedback to the Secretariat, and the leadership of the Audit and Finance Committee (AFC) and Strategy Committee (SC) were requested to: (i) determine the performance targets to be addressed by each committee based on their respective mandates; and (ii) establish an advisory group to work with the Secretariat to present revised performance targets to the AFC and SC for recommendation to the Board.
GF/SC02/EDP03: Recommendation on Performance Targets for KPIs 1, 2 and 8 the 2017 – 2022 Strategic Key Performance Indicator (October 2016)	The Strategy Committee reviewed the Secretariat’s proposed performance targets for the 2017 – 2022 Strategic Key Performance (KPI) Framework and agreed to recommend the performance targets for Strategic KPIs 1, 2 and 8 to the Board, expressed as point estimates together with uncertainty ranges. In doing so, the Strategy Committee acknowledged the approach for deriving the performance targets for Strategic KPIs 1, 2 and 8, including the modelling assumptions and key inputs.
GF/AFC02/DP05 and GF/SC02/DP05: Recommendation on Performance Targets for the 2017 – 2022 Strategic Key Performance Indicator (October 2016)	The Audit and Finance Committee and Strategy Committee reviewed the Secretariat’s proposed performance targets for the 2017 – 2022 Strategic Key Performance (KPI) Framework and agreed to recommend the performance targets that were complete and presented at the Committees’ October 2016 meetings, including interim proposals for Strategic KPI 5 and 9c. The Committees agreed that the Strategy Committee would then review the performance targets for Strategic KPIs 1, 2, 8 and 9b prior to the November 2016 Board meeting to discuss and issue a recommendation to the Board on these targets. The Committees also agreed to recommend deferring the performance targets for the measures associated with Strategic KPIs 6a, 6b and 6e until 2017.
GF/B35/EDP05: 2017 – 2022 Strategic Key Performance Indicator Framework (June 2016) ⁷	The Board approved the Strategic KPI Framework for 2017 – 2022, as presented in Annex 1 to GF/B35/ER05. The Board directed the Secretariat to present the Board with the Strategic KPI Framework’s performance targets for approval at the final Board meeting in 2016.
GF/B34/EDP04: Approval of 2016 Targets for the 2014 – 2016 Corporate Key Performance Indicator Framework (January 2016) ⁸	The Board approved the 2016 performance targets, noting specific revisions to the performance targets for KPI 7 (Access to Funding) and KPI 10 (Value for Money). Having acknowledged the Secretariat’s response to requests by the Board for additional analysis on certain indicators, the Board directed the Secretariat to implement proposed management actions to improve performance, and to

⁶ <http://www.theglobalfund.org/Board-Decisions/B36-DP09/>

⁷ <http://www.theglobalfund.org/Board-Decisions/B35-EDP05/>

⁸ <http://www.theglobalfund.org/Board-Decisions/B34-EDP04/>

Relevant past Decision Point	Summary and Impact
	continue towards identifying lessons that could inform the development of the next Corporate Key Performance Indicator Framework.
GF/B33/DP07: Remaining Targets for the 2014 – 2016 Corporate Key Performance Indicator Framework (March 2015) ⁹	Under the 2014 – 2016 Corporate Key Performance Indicator Framework, the Board approved updated performance targets for Key Performance Indicators 6, 12 and 16 after additional analysis conducted by the Secretariat following the Board’s approval of the updated 2014 – 2016 Corporate KPI Framework.
GF/B32/DP10: Approval of the Global Fund Corporate KPI Framework 2014-2016 (November 2014) ¹⁰	The Board approved the updated Corporate KPI Framework, acknowledging the methodological work required to finalize certain indicators as agreed. The Board also approved the available performance targets for 2015, as well as the plan to present the remaining 2015 performance targets for approval at the Thirty-Third Board Meeting, as set forth in GF/B32/24.a – Revision 2. The decision point to approve the updated performance targets contained in GF/B33/04B completed the remaining action item from GF/B32/DP10.
GF/B30/DP7: The Global Fund Corporate Key Performance Indicator Framework for 2014-2016 (November 2013) ¹¹	The Board approved the KPI Framework for 2014-2016 as set forth in GF/B31/7 – Revision 1. The Board asked for annual reports on these indicators, and where available, for interim results to be made available through the information dashboard.

⁹ <http://www.theglobalfund.org/Board-Decisions/B33-DP07/>

¹⁰ <http://www.theglobalfund.org/Board-Decisions/B32-DP10/>

¹¹ <http://www.theglobalfund.org/Board-Decisions/B30-DP07/>