

# October 2015 - Update for the Board

## I. Introduction

September was a busy month with quite a few important events mobilizing the entire Global Fund family: we held the third and the last Partnership Forum in Buenos Aires, important side events were organized during the United Nations General Assembly (UNGA) in New York where the Global Fund's role was featured in the context of the Sustainable Development Goal #3. At a side event at the UNGA, the German Chancellor Angela Merkel launched a new roadmap entitled "Healthy Systems – Healthy Lives" for further discussion with stakeholders in the coming months. The roadmap process is to be concluded at the time of the replenishment conference of the Global Fund in 2016.

We extend our warm welcome to a new Alternate Board member for the Point Seven constituency - Mr. Eivind S. Homme, Special Adviser on Global Health at the Ministry of Foreign Affairs of Norway.

We thank Ms Sandra Roelofs for her contributions as Board member of the EECA constituency and the SIIC.

## II. Update from the Board Leadership

The Eastern Mediterranean Region Constituency Workshop on Strengthening Capacity for Global Fund Implementers in the Region took place in Khartoum (Sudan) on 8-10 September. The Board Leadership was pleased with the vibrant discussion and the strengthening of the constituency. During the meeting with the Vice-Prime Minister and Minister of Health of Sudan, the Board Leadership congratulated the Government for tripling its domestic investment for malaria, and for increasing the attention to the most vulnerable populations.

In mid-September, the Board Leadership met with the Kuwaiti and Qatari Ambassadors to the United Nations Office in Geneva to discuss ways of strengthening partnership with the Global Fund, both in terms of programs implemented in the member states of the Organization of Islamic Cooperation, as well as regarding potential pledges for the next replenishment period.

The EECA Constituency meeting was held on 19-20 September in Tbilisi (Georgia). Four working groups were formed within the Constituency, addressing various issues concerning the Global Fund. These groups cover topics of the FOPC, SIIC, Sustainability and Transition matters, and Regional Epidemiological Profiles. Each group consists of a group chair and four members. This allows for better inclusion of all delegates into the work of the Constituency. Each group will work more on issues discussed during the Constituency meeting, so as to present the position of the EECA Constituency at the upcoming Implementer Retreat meeting (8-9 October) and the Board meeting in November.

The SEA constituency will also meet on 26-27 October in Bhutan.

At the end of September, the Board Leadership attended several Global Fund-related events during the United Nations General Assembly in New York: the presentation of the Roadmap "Healthy Systems – Healthy Lives" by Germany, Norway and Ghana, a high-level side event "Moving from the MDGs to the SDGs – The promotion of equitable global health and human security in the post -2015 development era", co-hosted by the Government of Japan and the Global Fund, a high-level side event hosted by UNAIDS, a lunch with the Secretary General of the Organization of Islamic Cooperation, a meeting with Simon Bland, Director of UNAIDS office in New York and former Chair of the Global Fund's Board, a meeting with Mr Philippe Douste-Blazy, Chair of the Board of UNITAID, the Friends of the Global Fight, and a visit to the offices of (RED). Throughout the events and discussions one could sense an increased focus on the need to build stronger

partnerships with organizations working on the three diseases and in health in general, as well as to extend the partnership and find synergies with organizations active in the fields of education, gender, human rights.

Taking into account the increased focus on partnerships, the Coordinating Group suggests to devote more time to an interactive discussion with the Global Fund's partners (WHO, Gavi, STOP TB Partnership, UNAIDS, RBM, UNITAID) during the Board meeting in November, in lieu of a panel discussion on the three diseases as envisaged previously. In preparation for the Board meeting, the Board Leadership will apply increased attention to the length and quality of the information materials being sent to the Board members, in order to ensure that they are concise and informative.

## III. Update from the Committees

### 01 Coordinating Group

During its call on 15 September, the Coordinating Group decided on its workplan which reinforces the cross-cutting oversight function of the CG, especially regarding risk. The CG also included in its workplan the oversight of the strategy development which was not explicitly mentioned in the previous workplan. The workplan is available on the *BoardEffect* platform.

The CG discussed the Q1 risk register and agreed with the 30 risks as identified by the Secretariat. During the next CG call scheduled for mid-October, the CG will discuss the Q2 risk register in more detail, with special focus on the status of implementation of remedial actions. The CG also suggested aligning the Risk Assurance report with other assurance reports in April 2016, and that this November Board Meeting should mention what progress there has been in getting to a Statement of Assurance in preparation for April 2016.

The CG also discussed the Board meeting agenda, and agreed to organize it in a way which would allow to present the progress made in a holistic view, starting with the ED report on progress, KPIs, risks, use of funds, etc, and followed by a joint report from the three committees, CRO's report and OIG's report, providing their views on the progress made. The draft agenda for the Board meeting will be circulated shortly to the Board members in order to give them sufficient time for preparation.

### 02 Audit and Ethics Committee – from Graham and Claude

The AEC convened via videoconference on 14 September to review and approve publication of the 2015 Interim Financial Report, containing the 2015 Interim Condensed Consolidated Financial Statements. This was the second time that the AEC exercised this function, since the practice of issuing of interim financial statements was introduced in 2014. This task was accomplished together with the FOPC leadership who attended the AEC meeting call. The responsibility to review and approve issuance of the interim financial statements was delegated to the AEC by the Board ([Decision GF/B31/EDP17](#)). The 2015 Interim Financial Report was shared with the Board on 22 September (document GF/B33/ER12) and will be published on the Global Fund website.

In addition, on 14 September, the AEC took a decision to appoint Claude Rubinowicz (AEC Vice-Chair) and Wendy Harrison (independent AEC member specializing in ethics matters) to serve on the selection panel for the Ethics Officer recruitment, acting with the delegated authority of the AEC to jointly select, with the Executive Director, the Ethics Officer for appointment by the Board. The recruitment process has now been launched and the AEC will receive a progress update at its 13<sup>th</sup> meeting on 7-8 October.

The 13<sup>th</sup> AEC Meeting will take place in Geneva on 7-8 October, with an agenda focusing on (1) OIG matters, including review of the OIG's progress report to the Board, approval of annual work plans, and recommendation of 2016 budget for inclusion in the 2016 OPEX, and review of the report on the status of implementation of OIG Agreed Management Actions; (2) an update on external audit matters, including the plan for a competitive bidding process to appoint the external auditor for the 2016 external audit, following discussions at the Thirty-Third Board Meeting; (3) ethics matters, including the anticipated recommendation of the budget for the Ethics function; (4) risk management matters, including the biannual Risk Management Report, and an update on the Risk and Assurance initiative; as well as reviewing the Recoveries Report, discussing progress on privileges and immunities, and receiving an update on Sanctions Panel activities. In addition, the committee will discuss the outcomes of its two recent self-assessment processes.

AEC meeting documents are available on the *BoardEffect* platform.

## 03 Finance and Operational Performance Committee – from Soltan and Michael

On 18 September 2015, the Secretariat hosted a conference call for FOPC members to provide an informational briefing on the Use of Funds and the work under way in relation to absorption issues (the “Partner Engagement Plan”) to ensure the FOPC remains fully informed of the latest developments.

The FOPC focal points agreed with the Global Fund Secretariat to hold the first call on the Implementers’ Liability Issues on 2 October.

The FOPC leadership held a call with the Chief Procurement Officer to discuss the coordination of inputs from SIIC and FOPC on the Market Shaping Strategy, prior to the document being presented to FOPC and SIIC for final comments and approval for a subsequent recommendation for approval by the Board.

Contracts with commercial banks were finalized and signed in late April 2015 to enable foreign exchange derivatives contracts, which are the financial tools through which hedging is made. From 1 May 2015, all new contributions signed have been hedged systematically at the time of signature, in order to neutralize the effects of foreign exchange variations on the value of these contributions in US Dollar.

In parallel to the systematic hedging of newly signed contributions, a strategy of gradual market entry was devised in order to hedge a portion of historical contributions, which had been booked before 1 May 2015. On 1 May 2015, the hedging ratio of the Global Fund portfolio was therefore 0%. By 30 June 2015, the ratio increased to 35% for GBP assets and 4% of EUR assets. As of 5 October 2015, the hedge ratio for the GBP exposure has reached 50% and the hedge ratio of EUR assets stands at 27%.

The next FOPC meeting will start on 6 October with a conference call to review the timelines and core assumptions for the 2016 OPEX budget preparation, the final version of the revised Market Shaping Strategy and Key Performance Indicators including 2016 targets. From 3-4 November, the Committee will meet in person to review the Board recommendation to approve the 2016 OPEX budget and its accompanying corporate workplan and a series of financial matters under its oversight, as well as implementation of the funding model, procurement and sourcing matters, risk management, and a comprehensive honorarium framework for the Global Fund.

## 04 Strategy, Investment and Impact Committee – from David and Anita

Throughout the month of September, the SIIC has continued its collaboration with the Secretariat on the further development of the Strategic Framework and Allocation Methodology, through a series of conference calls and other consultations, and both topics will be discussed extensively at the upcoming SIIC Meeting, 5-7 October 2015 in Geneva. A revised proposal to extend the Global Fund’s Strategy Cycle to six years will also be considered by the Committee based on further work and discussion with constituencies. In addition, further iterations of the Market Shaping Strategy have been shared with both SIIC and FOPC, and a decision is expected next week at the SIIC to recommend the final version to the Board at its November Meeting.

A process to identify and appoint a new SIIC Member from the Implementer Group is currently underway due to the resignation of the previous member for EECA, Sandra Roelofs. It is hoped that the new member will be able to take up the responsibilities of the position by mid-October.

Over the course of the final 2015 Partnership Forum held on 3-4 September, in Buenos Aires, Argentina, 111 participants from 47 countries in the Latin America and Caribbean and Eastern Europe and Central Asia regions engaged in substantive discussions that focused on key strategic themes. It was identified, as aptly put by the representative of the Argentinian Ministry of Health, Dr Mario Rovere, Secretary for Health for Health Policies, Regulations and Policies, that “there are no simple solutions to complex problems”. Nevertheless key messages emerged as cross-cutting from the wide variety of stakeholders from across the Global Fund spectrum in attendance. While not an exclusive list some of the key messages heard were:

- The need to work collectively for a well-planned transition to financial and programmatic sustainability – with differentiated approaches adapted to country contexts and realities.

- Improved coordination and harmonization with existing frameworks for health systems – making sure that investments reach key populations and vulnerable groups.
- Move from a reactive to a proactive strategy on human rights – one that focuses on preventing rights violations that increase vulnerability and hamper access.
- Clear definitions of the categories of Challenging Operating Environments, as well as the mechanism for flexibilities, are needed to optimize implementation of differentiated approaches.
- Simpler models of funding for direct investments in community responses to incentivize, prioritize and sustain investments in these critical priorities. The meaningful involvement of communities in policy, advocacy and service delivery is essential.

All inputs from the three Partnership Fora are carefully analyzed and discussed in the development of the new Strategy. In mid-October, the Global Fund Secretariat will discuss the lessons learned from the three Partnership Fora.

## 05 Transitional Governance Committee – from Viorel

The TGC held its 3rd in-person meeting on September 23-24th, 2015 in Geneva. This meeting was instrumental in moving work forward in key areas of the TGC mandate. The primary objective of this meeting was to finalize internal deliberations on the Enhanced Governance Structure following the feedback from the Board survey and retreat. Following this meeting, the TGC will now be providing the Board constituencies with the opportunity to provide feedback on an updated model of the three committees – including an updated to their respective responsibilities as well as two options on committee size and composition. This written consultation will also include additional inputs on independent members.

The committee also advanced the work on the Board composition and size workstream, with further discussions on the need to prepare several options for Board consideration. Reach out to identify a qualified service provider has already begun to support the development of these options.

The TGC discussed the next steps in the implementation of the now Board Approved Performance Assessment Framework. It was decided that the assessment period should align with the governance cycle rather than the calendar year – as such, Board and Committee performance assessments will assess periods from April – March rather than January – December. The first assessment will be launched in October with the results being reported during the upcoming Board meeting.

The committee received an update from the Office of the Inspector General on its review of the CCM with the TGC providing suggested input into the survey being administered to the CCMs to ensure that key governance aspects were captured. These items will be followed up on the TGC's next regularly scheduled call in October.

## 06 Privileges and Immunities Advisory Group (PIAG)

In September 2015, in accordance with its mandate, the Privileges and Immunities Advisory Group (PIAG) convened to develop and endorse a multi-pronged strategy comprising the following:

- areas of strategic focus in securing privileges and immunities;
- advocacy activities by the PIAG to enhance understanding of, and increase the number of states conferring, privileges and immunities;
- initial targets to be achieved by the Secretariat and PIAG working together; and
- a coordinated approach across the Global Fund to advance the acquisition of privileges and immunities.

To commence its advocacy work, the PIAG has requested the Secretariat to arrange a side meeting with the Board, and the AEC and FOPC will also report to the Board on the work of the PIAG, at the 34th Meeting in November 2015.

## IV. Other

### 07 Public Database of Board Decisions

Phase 1 of the review of past Board decisions has now been completed, covering decisions from 2011-2015.

Improvements continue to be made the public database of Board decision points under the guidance of the TGC, aimed at providing Board members and other stakeholders with easier access to, and clearer understanding of, the status and history of Board decisions. The first phase of decision review included: classifying decisions by type and status; identifying and defining legal and thematic linkages between decisions; and collating relevant supporting documentation. Following validation of the review by Legal, the database is now being updated and upgraded to allow users to navigate the database more easily, identifying not only interlinked decisions but also relevant documentation supporting the decision point. Phase 2 of the project, covering pre-2011 Board Decisions, is currently in progress.

This work will also inform the compilation of the new Annual Report on the Status of Board Decisions to be introduced in advance of the next Board meeting in November.

### 08 OIG news update

#### *The global fight against corruption hosted by the OIG*

Over 180 international investigators from United Nations agencies, development banks and international organizations met in Switzerland this week for the 16th edition of the Conference of International Investigators. Hosted for the first time by the Global Fund Office of the Inspector General (OIG), the conference is one of the leading annual forums for investigators to discuss the latest methods to prevent and disrupt fraud and corruption.

#### *Those we impact*

This year, the OIG proposed the theme of “those we impact”, introducing human rights on to the conference agenda for the first time. Michael Kirby, former Justice of the High Court of Australia, renowned human rights expert and AIDS activist, gave the opening address. He called for the global investigative community to keep a sense of proportion between advocating zero tolerance to corruption and responding appropriately if irregularities are found. He argued that this was particularly relevant in countries where the human rights are not respected, for example, in the 42 commonwealth nations where homosexuality is illegal. In these countries, zero tolerance to corruption can seem more chimerical than realistic when marginalized communities are struggling to survive in the face of hostile national authorities. Justice Kirby went on to commend the OIG for being more pragmatic and solution-oriented in its reports compared to the past and for being one of the first investigative offices to embed human rights into its scope and whistleblowing channels.

#### *September reports*

An audit of the Global Fund’s grant portfolio in Pakistan found weak financial management resulting in US\$ 2.4 million in transactions that could not be accounted for. OIG auditors also noted that, despite recent efforts, grant implementation, procurement and stock management arrangements are deficient. The Global Fund is putting in place remedial actions including strengthening significantly financial controls. The case has also been referred to the OIG Investigations Unit for further review.

An investigation in Egypt found evidence of fraud and procurement irregularities between 2008 and 2012 compromising Global Fund contracts worth US\$ 668,877. The irregularities involved the use of hotels and vehicle hire for training activities and related procurements for t-shirts, stationery, catering. These goods and services were bought by a Principal Recipient, the National AIDS Programme, part of the Egyptian Ministry of Health and Population. The National AIDS Programme has been instructed to cease all non-essential program activities; the Global Fund is taking corrective measures and is seeking to recover the misspent sums.

These reports available in full [on the OIG website](#) along with the other 14 reports published this year so far.



The OIG completed its advisory work “Review of the adequacy of the resources available to implementer constituencies of the Global Fund Board”. It will be discussed during the implementers’ constituencies retreat in Kandersteg (Switzerland) on 7-9 October. The Board Leadership will also attend this retreat, and will discuss the specific needs of implementers’ constituencies for their engagement in the Global Fund governance.

## 09 Challenging Operating Environments (COE)

The Strategic Framework being presented to the SIIC in October 2015 includes a specific sub-objective on COEs under the objective 1 “Maximize impact through tailored investments”. The goal of the Global Fund in COEs for the next strategy is to “improve effectiveness through innovation, increased flexibility and broader partnerships”.

In September, COE’s technical experts’ consultation was held. Consultation focused on what the Global Fund should do to improve outcomes in COEs and how it should operate differently in such contexts. Partners recommended adopting an operational classification for COEs which encompasses trans-border dynamics, displacement, and subnational crises to enable a differentiated approach. While keeping its focus on the three diseases, the Global Fund should expand investments in health systems and communities in COEs to strengthen countries’ resilience. The Global Fund should also adopt a human rights based approach to programming and implementation in COEs to better protect vulnerable populations in crisis. Given the heterogeneity of COEs, partners stressed the importance of a country by country approach: investments should be contextualized and prioritized based on increased intelligence over time, within country and across the health field. In order to realize this vision it was recognized that the Global Fund will need to adapt its instruments and its structure for increased flexibility/responsiveness and to broaden existing partnerships for technical assistance, governance and service delivery.

The above recommendations will be included and expanded in the draft Strategy 2017-2021 which will be circulated at a later stage for comments before approval by the Board in early 2016.

## 10 Update from Human Resources Department

The Secretariat has recently provided a mid-year people update to MEC and staff highlighting some key facts. At the end of June, there were 675.3 Full Time Equivalent (FTE) for a budgeted FTE of 686. In addition, there were 84 on-site independent consultants working for the Secretariat and 18 temporary agency staff. In light of the 2016 budget, an analysis of the work being performed by the onsite independent consultants is being done to inform next year’s resourcing needs and to consider if the work could be done more efficiently, and at lower cost, by bringing some of these functions in-house. The gender diversity remains stable at 57% female and 43% male. The turnover is in line with other Geneva-based organizations at 4.5% for the first 6 months of the year. Key focus remains on health of staff members, ongoing monitoring of the workforce as well as investment in talent management, succession planning and an enhanced culture for the Organization.