

December 2015 – January 2016 Update for the Board

I. Pre-replenishment meeting

In 2015, the mid-year of the Global Fund's Fourth Replenishment cycle, the Global Fund convened donors and partners to the Preparatory Meeting of the Fifth Global Fund Replenishment in Tokyo, Japan on 16 and 17 December 2015 to review progress and kick off its resource mobilization campaign ahead of the Fifth Replenishment Pledging Conference to be held in the second half of 2016. The purpose of the Preparatory Meeting was to present results and impact achieved to date as well as to present and discuss the Investment Case for the Fifth Replenishment which sets the Global Fund's resource mobilization target at US\$13 billion for the 2017-19 period. Overall, there was a strong push from the participants for the Global Fund to continue its lifesaving work, and acknowledgement that significant additional resources, both domestic and international, will be needed over the coming years to achieve the goal of ending the epidemics.

As a public-private partnership, the Global Fund actively engages in fundraising with the private sector and other non-government partners. At the Tokyo Meeting, private sector organizations, charities and foundations made commitments to support the Global Fund through announcement of pledges amounting to US\$37 million for the current 4th replenishment period. These include: US\$15 million from (RED) for 2016, taking (RED)'s total pledge for the 2014-16 period to US\$100 million; a three-year partnership with Comic Relief which is expected to raise US\$12 million over the next three years; and a US\$10 million pledge from the Children's Investment Fund Foundation (CIFF) to support the Global Fund's work in Africa.

II. Update from the Board Leadership

In December and January the Board Leadership discussed and "absorbed" the wealth of recommendations, steer and new ideas expressed during the November Board meeting. In order to reassure the Board members that their inputs have been noted and will be followed up on, the Board Leadership has collected a list of Action items, and is monitoring progress made. This list will be shared with the Board members shortly.

In January, the Board Leadership reached out to Board members to brainstorm about the following topics that will require further discussion and steer from the Board this year: Board composition, replenishment, Global Fund's approach to transition planning, and pace and focus of Board meetings.

On Board composition, Board members are awaiting to receive the report of the Graduate Institute, which promises to be thought-provoking and calling for "business not as usual". There was general openness to improve the effectiveness of the Board even further and to "refresh" the Board's composition in line with global developments.

On financial contributions, Board members in November agreed that in the current post-SDG context it is important to find innovative and flexible ways of attracting funding to the goals and programs supported by the Global Fund, including some specific forms of earmarking.

As to the Global Fund's approach to transition, Board members called for a more specific and country-by-country based policy on transition planning, which would reflect a through-through approach to different contexts of transitioning countries.

Board members encouraged to focus the Board meeting agenda on a few critical items requiring Board decisions. Items that are meant to update the Board can be circulated electronically on a regular basis, thus avoiding large volumes of information coming shortly before the Board meeting. Based on this feedback, the Board Leadership will try to focus the next Board meeting's agenda on three key matters: strategy narrative, allocation methodology and Board composition.

Regarding the frequency of Board meetings, the Board members tended to agree that between two Board meetings there is not much time to focus on the actual implementation of previous meeting's decisions, and that it is very important to dwell into more depth on certain strategic items and to do so in a more focused format of a meeting. Board retreats were recognized as an appropriate forum to have in-depth discussions. There were suggestions to organize a retreat during the pre-Board day, or to hold a Board retreat at the beginning of the year to allow for an in-depth discussion and provide strategic guidance, and then have one Board meeting at the end of the year to review the work performed during the year and take strategic decisions.

In an effort to enhance the Board's on-going monitoring of the Fund's financial information, which should lead to shorter discussions about OPEX during Board meetings, the Board Leadership asked the Secretariat's Finance Team to capture financial information relevant for Board oversight purposes (i.e. quarterly overview on OPEX, cash balance, funds committed, disbursed, etc.) under a specific tab of the Financial Dashboard site on *BoardEffect*. This will become available in March.

III. Update from the Committees

01 Coordinating Group

The CG had two virtual meetings on 10 December and 19 January.

On 10 December, the CG discussed the results of Board and Committee Performance Assessment and agreed that each committee will complete a Performance Improvement Plan to reflect actions in areas identified as in need of improvement. The CG members exchanged views on the roles of the committees in overseeing the Constituency Funding Policy. The CG also raised concern about the OIG audit and investigation findings in Nigeria, and emphasized its role in ensuring close monitoring of the KPIs.

On 19 January, the CG discussed the Q3 Risk Register and welcomed developments in the Risk Management Plan presented by the Acting Chief Risk Officer. The amendments focus on deeper consideration of root causes of risk, external factors affecting the Fund's mission, establishment of an Enterprise Risk Committee that will discuss risk mitigation actions on a monthly basis. The CG agreed on cross-cutting items that committees will discuss jointly at March committee meetings, and received committee Performance Improvement Plans following the performance assessment outcomes. The CG also encouraged its members to reach out to their networks to start looking for good candidates for the new committee leadership.

Detailed summaries of both CG meetings are available on *BoardEffect*.

02 Finance and Operational Performance Committee

The Chair and Vice-Chair's Notes of the 16th FOPC meeting held in November 2015 is available to the full Board in the *BoardEffect* platform. The FOPC Leadership remains available should any Board constituency has questions about its content or issues discussed by the committee.

At the November 2015 Board Meeting the 2016 OPEX budget and its accompanying corporate work plan recommended by the FOPC was endorsed by the Board. In line with current practice, in 2016 the committee will receive quarterly updates on core financial data (e.g., OPEX, assets and liabilities, grants and contributions), and progress made on key 2016 projects such as Implementation Through Partnership (a brief update on this important work stream is also provided below under section 07).

The next in person meeting of the FOPC is planned for 8-9 March 2016. In accordance with the committee's work plan, the FOPC will receive an update on financial oversight issues split as follows: a) 2015 financials including annual results for the Provident Fund, Trust Fund and Investment Portfolio of the Global Fund, and b) 2014-2016 allocation period comprising portfolio optimization matters and asset and liability management,

among other items. In addition, the committee will have discussions on the funding model, risk management, key performance indicators, procurement and sourcing matters including the e-marketplace, resource mobilization efforts and the strategy supporting the 5th replenishment of the Global Fund and human resources matters.

03 Audit and Ethics Committee

Ethics Officer: AEC welcomes the Board's approval of the appointment of the Ethics Officer, approved on 27 January 2016 following a selection process and joint recommendation from the AEC and the Executive Director. The AEC views this appointment as a significant achievement and is confident of the value the Ethics Officer will bring to Global Fund governance and operations.

14th AEC Meeting: The next AEC meeting will be held in Geneva on 8-10 March 2016, with a full agenda leading into the 35th Board Meeting. The agenda will include the following recommendations to the Board: (1) the review and recommendation of the 2015 Annual Financial Report; and (2) selection of the external auditor for the 2016 fiscal year. In addition, the committee will review the annual reports and opinions of the OIG, the Chief Risk Officer and the Ethics Official. Further agenda items will include operational updates and policy discussions with the OIG, discussions on ethics matters, and review of the biannual Recoveries Report. For the first time, the Recoveries Report will include reporting on recoverable amounts identified in the due course of grant management.

04 Strategy, Investment and Impact Committee

The Chair's Summary Notes from the 16th SIIC meeting (5-7 October 2015) and the 16A SIIC Meeting (18 November 2015) are available on the Board Effect platform.

Since its last in-person meeting, the Committee has held two virtual meetings. The first of these took place on 14 December 2015 and focused on discussions around different options for allocation "packages", four of which were identified for further development and impact modelling by the Secretariat. Other areas covered in this call included updates on KPIs, sustainability and transition, COEs and co-financing, as well as a briefing on progress on the strategic narrative, currently under development.

The second virtual meeting took place on 18 January 2016, and included briefings on portfolio optimization and shortened grants, and the strategy narrative and accompanying KPI framework, which would be shared for feedback with the Board shortly afterwards. An update on the modelling being used to forecast potential impact under four different "packages" of allocation was also shared. Results are expected in early February 2016, and these will be discussed by the Committee during a third virtual meeting to be scheduled during February. The Committee then discussed potential funding for existing regional grants, for which a supporting rationale and CRG analysis will be presented to the Committee for decision in the coming weeks. Finally, the SIIC discussed the need to develop robust policies on (1) challenging operating environments (COEs), and (2) sustainability, transition and co-financing. Drafts of these policies will be shared with the Committee for review ahead of the SIIC meeting in March 2016.

In the interim, SIIC leadership remains available to Board constituencies to discuss any aspects of these issues.

05 Transitional Governance Committee

The period following the November Board meeting has been a busy one for the TGC.

As requested by the Board, the TGC updated the core governing documents on the Enhanced Governance Structure to reflect Board discussions and initiated a round of written and phone consultations which provided rich feedback. Following consideration of this feedback, the updated documents were sent to the Board for approval via Electronic Decision Point.

The analysis being done by the Graduate Institute on potential options for evolving the Board composition to meet emerging needs continued. It is anticipated that a report will be available to be shared with the Board in February, followed by a period of consultation in advance of the April Board meeting.

Based on the outcomes of the Board and committee performance assessments conducted in 2015, the TGC has been working with the Coordinating Group to develop Performance Improvement Plans (PIPs) to address the areas of weakness identified. These plans, or one consolidated plan, will be shared with the Board and committee and their implementation will be monitored by the Board Leadership supported by the committee charged with oversight of governance.

Work has also been continuing on the other TGC workstreams. The TGC workplan is available in the Resource Library in *Board Effect*.

IV. Other

06 OIG news update

I Speak Out Now!

On International Anti-Corruption day, 9 December 2015, the Office of the Inspector General (OIG) launched its anti-corruption campaign called 'I Speak Out Now!' The first phase of the campaign was the launch of an e-learning platform available at www.ispeakoutnow.org in English, French, Russian and Spanish. The platform aims to empower staff and grant implementers by giving them the tools to be able to recognize the early signs of fraud and corruption in the programs financed by the Global Fund. A number of Global Fund opinion leaders also testified their support to the campaign through [video](#), including members of the Board.

The second phase of the campaign involves reaching out to targeted communities in three pilot countries. In Ukraine, the focus will be on disrupting bribes that people who inject drugs have to pay to get into harm reduction programs; in Côte d'Ivoire, on interrupting supply chain leakages that lead to free tuberculosis drugs being sold in street markets; in Malawi, on preventing free malaria drugs from being diverted and sold for a profit. Where possible, the OIG is working with local partners, civil society or members of the donor community including Transparency International Ukraine and the Fondation Chirac in France.

Latest OIG reports

In an [advisory report](#) requested by the Board Leadership, the OIG assessed the resources available to the ten Board implementer constituencies. Currently, each constituency has access to a budget of US\$ 100,000 (increased in 2014 from US\$ 80,000) available for communication, meetings, travel, and staffing connected to Board activities. The OIG concluded that the current budget was fit for purpose but recommended moving to a needs-based approach in the future. The OIG also recommended reviewing the total allowance on an annual basis as part of the regular operating expenses approval process.

An audit of Global Fund grants in [Indonesia](#) found the risk management of financial and programmatic data to be 'generally effective'. However, the auditors called for a more tailored approach to investments given the size and diversity of disease burden in a highly decentralized country. In [Honduras](#), the OIG concluded that the Global Fund's oversight and internal controls to mitigate financial and procurement risks were generally effective but unsatisfactory implementation arrangements at the Ministry of Health could compromise the objective of eliminating malaria by 2017. An [Uzbekistan](#) audit found financial controls to be satisfactory in the management of Global Fund grants. However, auditors found that TB treatments were not aligned and that the high incidence of multi-drug resistant TB is not fully understood.

An investigation of Global Fund grants in [Panama](#) found that a local supplier fabricated quotations for promotional material in over 100 tenders using the names of other suppliers without their knowledge. These fraudulent practices compromised US\$ 104,911 worth of transactions between 2012 and 2014 involving four grant sub-recipients of grants. The Global Fund is seeking to recover the non-compliant expenditures from the Principal Recipient and is taking corrective actions to prevent future tender abuse in Panama.

07 Update on Implementation Through Partnerships (ITP) project

As noted in the Board report, together with partners, ITP aims to increase the effectiveness and efficiency of grant implementation in 20 key countries. These countries were selected through an initial financial and

programmatic review with a focus on ensuring impact and results for those we serve. Since its launch in October 2015, the remainder of the year involved the preparation and facilitation of country focused discussions to address bottlenecks and propose targeted solutions across diseases, including systems for health. From this inclusive dialogue, specific and prioritized actions were identified per country. These are actions to be started in the immediate term, with measurable results.

Leveraging existing platforms for coordination in January, ITP actions have been further prioritized with partners through the development of an Accountability Framework. These investments and support through approximately 110 actions will be transparently coordinated among partners and closely with countries. The Framework further emphasizes the shared ownership and mutual accountability of supporting countries in implementation.

With actions already beginning, ITP will continue to keep stakeholders updated on what is working and how the project is learning to further streamline processes into existing structures, both internally to the Global Fund as well as with partners.

Ultimately, with partners, this project aims to attain the following outcomes across all 20 countries:

1. Improved use of funds in key countries as measured by programmatic and financial targets;
2. Increased number of implementation bottlenecks addressed with partners through collectively identified, specific actions; and
3. Improved processes in place for planning and coordinating technical support with countries and partners (this includes transparently measuring quality and results of investments).

08 Update from the Privileges and Immunities Advisory Group

We are pleased to report that Zimbabwe and Togo have signed the Agreement on Privileges and Immunities, bringing us to a total of ten state parties.

The PIAG commenced their advocacy and outreach upon approval of the P&I Strategy in October 2015, with the European Commission having already engaged diplomatic channels, including delegations to implementing countries. Swiss diplomatic channels are being explored through the PIAG Chair. PIAG members are also acting as regional focal points to increase support for privileges and immunities. Looking ahead, the PIAG would further welcome the opportunity to continue the dialogue with the Board regarding these rights and protections to the Global Fund, its people and its assets.

The Board Leadership encourages the Board members to extend their support to the efforts of the PIAG.